

Evaluation

FAO: The Challenge of Renewal



Summary
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DEPARTMENT FOR DEVELOPMENT POLICY

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DEPARTMENT FOR DEVELOPMENT POLICY

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PREFACE

The Food and Agriculture Organization of the United Nations, FAO, is a normative organization. The principal function of FAO is to define worldwide norms, general guidelines and recommendations for agriculture, forestry and fisheries, in order to better manage and utilize natural resources without endangering biodiversity. Moreover, FAO is expected to serve as advisor and technical expert, especially in developing and transition countries.

The organization or its operations have never before been subject to a comprehensive evaluation during its 40-year history. The external, independent evaluation of FAO was initiated by the organization's member countries. It was unanimously approved by the organization's Council and Conference in 2005. The evaluation was prompted by the concern over the organization's capacity to respond to new global challenges and the expectations placed on it. FAO has often faced criticism for bureaucracy, lack of transparency and inefficient knowledge and information sharing. The appropriations from its member countries cover about 50% of its budget, and the other 50% comes as voluntary contributions, mainly from industrialized countries and international organizations. Since 1995, FAO's financing has been declining. Because the Council and Conference have not found sustainable solutions to the situation, the member countries wanted an independent assessment of the organization by external experts. This would assist the member countries in discussions with the FAO Secretariat on how the organization should be developed, and whether its role in international development architecture should be refocused or redefined.

The evaluation was implemented by external experts selected through an international competitive bidding. The member countries raised the 4.6 million dollar budget required for the evaluation. Finland participated in the financing of the evaluation with a significant input (approx. 290,000 euros).

The team of experts that carried out the evaluation and the Chair of the Council, which was responsible for the follow-up of the evaluation, the Brazilian Ambassador Perri, granted the Ministry for Foreign Affairs, Unit for Evaluation and Internal Auditing, a special permission to translate the first chapter of the original report, first published in the official languages of the UN, into Finnish, Swedish and Portuguese, so that the results of the organization's evaluation are accessible to all possible interested parties in Finland and its principal recipient countries.

This document contains a summary of the original evaluation report, i.e. the conclusions and recommendations. The full report of the evaluation is on the FAO

website: www.fao.org (under "Special new initiatives"). The summaries can also be accessed on the Ministry for Foreign Affairs' website <http://formin.finland.fi> (development policy, evaluation).

Discussion on the evaluation results will continue among FAO and its member countries throughout the year 2008 with the aim of arriving at a consensus on which recommendations will be implemented and in which order.

We hope that this publication will increase interest in FAO and its importance in the modern world, as well as encourage debate on the kind of FAO we want in the future.

Helsinki, 17 March 2008

Aira Päivöke

Director

Unit for Evaluation and Internal Auditing

EXECUTIVE SUMMARY

i. This report presents the conclusions and recommendations of the first-ever independent external evaluation (IEE) of FAO in its sixty-year history. Although the evaluation looks at the evolution of FAO over six decades, it focuses mainly on the period 1990 to the present. The evaluation was commissioned by the FAO Council and Conference and overseen by a Committee of the FAO Council. The report is based on intensive and extensive evaluation work with the rigorous application of the Norms and Standards for Evaluation in the UN System, as approved by the United Nations Evaluation Group (UNEG) in April 2005 as well as the OECD-DAC Principles for Evaluation. It was undertaken over 18 months by a fully independent team of consultants drawn from throughout the world. The core team comprised six members, all of whom endorsed the final report:

- Mr Leif E. Christoffersen (Norway) – Team Leader;
- Mr Keith Bezanson (Canada) – Former Team Leader and principal author of the report;
- Ms Uma Lele (USA/India) – Technical work of FAO;
- Mr Michael Davies (United Kingdom) – Management, organization and administration;
- Mr Carlos Perez del Castillo (Uruguay) – Governance of FAO; and
- Mrs Thelma Awori (Uganda) – FAO’s role in the multilateral system.

ii. The evaluation team received a high level of support and cooperation from FAO member countries, FAO management and FAO staff who all gave their full backing to carry out the evaluation independently and thoroughly.

iii. The Terms of Reference (ToR) made clear that the work should go beyond that of conventional evaluations which assess outcomes, impacts and institutional performance. Indeed, the ToR for this evaluation place a main focus of the work on defining the future of the Organization itself. Specifically the ToR instruct the evaluation: “*to chart the way forward (in order to)... make FAO fit for the twenty-first century and the challenges ahead.*”¹ The evaluation seeks, therefore, not only to assess the overall institutional performance of FAO, including its governance, but also to help shape an FAO which can cost-effectively support humanity in facing the challenges of this

¹ Report to the Council of the Inter-Sessional Working Group for the Independent External Evaluation of FAO (IEE)

21st century, in particular the continuing scourges of hunger and poverty and the growing challenges to our fragile environment. It asks whether FAO is needed and covers four major areas:

- a) FAO's Role in the Multilateral System: What is the appropriate role for FAO in an international development architecture that is vastly different from 1945 when the Organization was founded?
- b) FAO's Technical Work: What has been the relevance and effectiveness of FAO's normative and technical cooperation programmes? What are the needs of its constituents and the Organization's comparative advantages and thus what is now required?
- c) FAO's Management, Administration and Organization, including planning, programming and budget, administrative and financial systems and organizational culture and structure: Are these fit for purpose, flexible, demonstrating fiduciary responsibility, inspiring innovation and utilizing all that modern management practice and modern technology can now offer? and
- d) Global Governance of food and agriculture and governance of the work of the FAO Secretariat: Is governance exercising its dual roles in contributing to global governance and ensuring an effective and relevant FAO in a cost-effective and transparent manner and with the ownership of all Members?

Main findings of the evaluation

iv. The principal conclusion of the IEE can be stated in three words: "reform with growth". The Organization is today in a financial and programme crisis that imperils the Organization's future in delivering essential services to the world. Between 1994 and 2005, its total financial resources (net of special funds for emergencies) declined in real terms by 31 percent and its total staff complement fell by 25 percent. The evaluation found that while FAO continues to provide a range of essential goods and services that no other organization can adequately provide, these areas are today at serious risk. If FAO were to disappear tomorrow, much of it would need to be re-invented but with much more precise priorities and a concentration of its efforts in areas of demonstrable need which correspond to its comparative advantage. The challenge is to move forward on reform with growth before further decline inflicts irreversible damage on the Organization.

v. There is, however, no consensus on broad strategy that delineates how the Organization is to address the crisis and to respond to challenges and opportunities, on what is high priority and what is not, on which programmes to retain and which to shed, on resource needs and how these are to be provided. FAO's efforts are

fragmented and its focus is on individual components of its vast challenge rather than on the full picture. This undermines confidence and contributes to the continuing reduction in its financial resources. The capacity of the Organization is declining and many of its core competencies are now imperilled.

vi. The IEE has concluded unequivocally that the world needs FAO and also that the problems affecting the Organization today can all be solved. To this end, the IEE recommends a transformative strategy of reform with growth. This will require the Organization to make fundamental strategic choices and to concentrate its efforts in the areas that optimize its comparative advantage. Enhanced strategic and policy capabilities will be essential because the evidence is now conclusive that the overall global food situation has shifted dramatically. Production is now growing more slowly and is inadequate to the demands of increasing population and income growth and to new patterns of demand for livestock products, higher value crops and biofuels. The evidence is also conclusive of growing stresses on existing production techniques and cropping patterns as a consequence of climate change, urbanization and population growth.

vii. FAO needs to respond effectively to these trends and challenges. This means that it must be able to address simultaneously food production, livelihoods, income and food access. This will require policy capabilities that integrate and address these issues in a holistic manner. Production technologies will continue to be essential, but there can be only limited uptake of these technologies unless the enabling environment of policies, institutions, legislation and infrastructure are assured. It is in these latter areas that FAO should be able to demonstrate its main comparative advantage as the only global organization specifically mandated to ensure the integration of all these factors.

viii. FAO cannot respond to the challenges it faces unless it also becomes more flexible and overcomes its aversion to risk-taking. The Organization has been conservative and slow to adapt, slow to distinguish areas of genuine priority from those which are the latest fad. Capacity for this discerning flexibility and for the agility needed to respond to changing situations and new challenges cannot be obtained without major changes to the way FAO is organized, the way it works, the behaviours it seeks and the systems it applies in its administration and its human resources management. It will require culture change in both the Secretariat and Governing Bodies.

ix. FAO currently has a heavy and costly bureaucracy characterized by: excessive transaction control processes, high levels of overlap and duplication and low levels of delegated authority relative to comparator organizations. This heavy bureaucracy creates and reinforces a rigid, riskaverse and centralized organizational culture, with

weak horizontal communication and linkages. It also greatly limits FAO's potential for development effectiveness in meeting the needs of its Members.

x. FAO thus needs to address major weaknesses in its organizational structures. Relationships between headquarters and field operations are severely fragmented. This is not merely a matter of reporting lines, although these have followed an "all things lead to Rome" principle which has been high on costs and low on benefits, with an absence of shared goals, purposes, strategies and resource mobilization efforts between headquarters, Regional, Subregional and Country Offices.

xi. Although many changes are now underway, the current FAO infrastructure aimed at a strong presence outside Rome is not functioning well. Administrative costs as a percentage of programme expenditures have risen substantially. In several Country Offices, administrative costs now exceed programme expenditures. In some, cases regional technical specialists and FAORs are unable to travel to meet their work obligations due to shortages of travel funds. At the same time, many headquarters programmes in areas of FAO's undisputed comparative advantage are moving into the "at risk" area due to the combination of sequential budgetary reductions, and decisions on decentralization in the context of this declining overall budget.

xii. FAO's overall governance by the member countries is failing the Organization. It has not ensured an adequate corporate strategy with realistic priorities, has not assured that means are aligned with ends and has not been measuring the Secretariat's performance against agreed goals. The division of functions and responsibilities between Governing Bodies and management has become blurred. The main factor inhibiting effective governance of FAO is a low level of mutual trust and understanding within the membership and between some parts of the membership and the Secretariat.

The way forward

xiii. The evaluation makes over one hundred recommendations aimed at a transformational change to reverse decline and better equip the Organization to exercise global leadership on the new challenges in food and agriculture. This will require agreement and commitment by both the membership as a whole and management to a programme of significant and sustained reform and the increase in resources required for it. To this end, the IEE recommends the formulation and adoption of a 3-4 year Immediate Action Plan aimed at securing the future of FAO as the dynamic, credible, and effective global organization that its original architects intended.

xiv. The key question is how to begin. How can the membership reach agreement and shared ownership on an Immediate Action Plan of reform with growth? Some FAO Members will incline to “financial growth first as the minimum requirement to reform”. Others wish to see “major and sustained reforms before financial growth”. The IEE concludes that if these two incompatible formulations persist, the decline of the Organization will continue and indeed accelerate. A first and essential step is to put a stop to negative real growth and move to zero real growth (ZRG) for the next biennium. A further application of “zero nominal growth” (ZNG) is, in the judgment of the IEE, not sustainable if FAO’s membership genuinely wants to have an Organization that is “fit for the twenty-first century and the challenges ahead”. This needs to be immediately accompanied by agreement to a genuine programme of institutional transformation. Zero real growth would not, of course, bring about actual growth, but it would provide the Organization with a period of stabilization during which it could put the “reform with growth” proposition to a serious test. Implementation of the major reforms needed by FAO would then reinforce trust and serve as the stimulus to real financial growth. The converse would, of course, also apply. Should the transformative reforms needed by FAO not occur, the mutual trust required for “reform with growth” would quickly erode and the financial prospects of the Organization would then become decidedly negative.

xv. Reduced to basics, the IEE was charged to come up with answers to three questions:

a) Does the world need FAO?

Our answer is: Yes, without doubt. FAO continues to fulfil roles and furnish a range of essential goods and services that no other organization can. There are continuously emerging challenges that only a global organization with the mandate and experience of FAO can address with legitimacy and authority;

b) Does FAO need to change to be “fit for the twenty-first century and the challenges ahead”?

Our answer is: Yes, in a major way, and with a sense of urgency. FAO’s financial situation is dire and is rapidly deteriorating. The IEE has concluded that the concerns of many FAO Members with the Organization’s priorities and effectiveness are wellfounded. Thus money alone will not solve the Organization’s problems. Without transformational reforms, FAO’s current trajectory will prove unsustainable financially, strategically and programmatically.

c) What needs to be done?

Our answer is: A great deal. The IEE thus recommends rekindling an FAO Vision and an Immediate Action Plan in four cluster areas, which are discussed in-depth in the report:

- i) a new Strategic Framework;
- ii) investing, in governance;
- iii) institutional culture change and reform of administrative and management systems; and
- iv) restructuring for effectiveness and efficiency in both headquarters and the field.

xvi. If the steps suggested and the recommendations made in this report are achieved, the IEE is convinced that the challenge issued to it - to facilitate an FAO truly “fit for this century” – will have been met. Indeed, if this is achieved, the IEE is also convinced that FAO would have set the new standard of excellence in multilateral organizations.

1 BACKGROUND AND METHODOLOGY

1. This is the report of the first-ever independent external evaluation of FAO in its sixty-year history. It also represents what is probably the largest and most ambitious evaluation ever attempted of a global intergovernmental organization. The difficulties in undertaking an evaluation of this magnitude were compounded by an exceedingly tight time frame. Actual work began in April 2006 and the writing of the draft final report took place in June and July 2007. The evaluation sought throughout to ensure methodological rigour, including application of the Norms and Standards for Evaluation in the UN System and the OECD-DAC Principles for Evaluation. The steps taken to achieve this included extensive “triangulation” of evidence with field visits to 35 member countries, of which 23 were developing countries, over 2,500 structured and semistructured interviews, analysis of over 3,000 responses to twelve separate questionnaires, each with different purposes², extensive benchmarking³ of different aspects of FAO against comparator agencies⁴ commissioned working papers on FAO’s technical work, including the cross-cutting areas of gender and the environment and a separate study of the evaluation function (see Chapter 2 for details).

2. The Terms of Reference (ToR) made clear that the work should go far beyond that of conventional evaluations which assess outcomes, impacts and institutional performance. The terms of reference for this evaluation require this, but also place the main focus of the work on defining the nature of the Organization itself. Specifically, the terms of reference instruct the evaluation:

“to chart the way forward, to better meet the challenges of the future in an evolving global environment, including newly emerging needs of member countries, and to position FAO, based on its strengths and comparative advantages ... (The evaluation) should help to strengthen the sense of unity and purpose among the membership of the Organization, and to make FAO fit for the twenty-first century and the challenges ahead.”⁵ (emphasis ours)

² On Culture, Governance, Gender, Partnerships, Agriculture, Forestry, Statistics, Research, International Law and Standards, Nutrition, Emergency Assistance and Demand for Technical Support Services.

³ The term ‘benchmarking’, as used throughout this report, does not imply the standard benchmarking as applied in business and industry (i.e. comparison against an agreed standard or norm). The term is used in this evaluation to mean comparisons to other organizations.

⁴ Including WHO, UNESCO, ILO, UNIDO, OECD and IMF.

⁵ Report to the Council of the Inter-Sessional Working Group for the Independent External Evaluation of FAO (IEE), CL129/10.

3. Four interlinked components, set out in the terms of reference, provide the basic conceptual framework for the analysis. These are:

- a) **Technical Work:** Included here is both the normative and operational work of FAO in addressing access to food, crops, livestock, forests, fisheries, commodity trade and rural development and its efficiency and effectiveness in overcoming hunger, safeguarding the environment and improving conditions for economic and social development. FAO's technical work takes different forms and is carried out through an array of different instruments, including technical cooperation, policy development and advice, regulatory and standard-setting work, information dissemination, advocacy, statistics, studies, emergency responses, networking and dialogue. All these aspects were examined during the IEE review (see Chapter 3);
- b) **Management, Administration and Organization:** This area encompasses planning and programming, budget, administrative and financial systems, organizational structure (including decentralized structures), oversight, evaluation, corporate culture, human resources management and deployment, knowledge and risk management, and accountability policies and practices (see Chapters 6, 7 and 8);
- c) **Governance:** Included here are the roles, efficiency and effectiveness of the Governing Bodies in: i) providing global governance for food and agriculture; and ii) guiding the work of the FAO Secretariat. This encompasses the relationship between the Members and the Secretariat in the determination of strategy, policy and priority-setting, financing issues of the Regular Budget and voluntary contributions and governance relationships within the UN system, as well as the participation of stakeholder groups (see Chapter 4); and
- d) **FAO's Role in the Multilateral System:** Central to this area are questions of the appropriate role for the FAO in an international development architecture that is vastly different from 1945 when FAO was founded, the absolute and dynamic comparative advantages of the Organization and its ability to enter into alliances and contribute to reform of the UN and wider international systems (see Chapters 2 and 5).

4. Overarching the IEE frame of investigation and analysis was the mandate of FAO. As stipulated in the ToR, the IEE does not call into question the basic mandate of FAO and this has been fully respected in this study. Indeed, the IEE found the mandate (see Box 1.1 below⁶) as pertinent today as it was when first

⁶ This box also appears as Box 2.1 in Chapter 2.

crafted over sixty years ago.

Box 1.1: The purposes and mandate of FAO

"The Nations accepting this Constitution, being determined to promote the common welfare by furthering separate and collective action on their part for the purpose of:

- a) raising levels of nutrition and standards of living of the peoples under their respective jurisdictions;
- b) securing improvements in the efficiency of the production and distribution of all food and agricultural products;
- c) bettering the condition of rural populations;
- d) and thus contributing towards an expanding world economy and ensuring humanity's freedom from hunger."

Article I further defines the mandate of FAO as follows:

- e) "The Organization shall collect, analyse, interpret and disseminate information relating to nutrition, food and agriculture. In this Constitution, the term "agriculture" and its derivatives include fisheries, marine products, forestry and primary forestry products.
- f) The Organization shall promote and, where appropriate, shall recommend national and international action with respect to:
 - i. scientific, technological, social and economic research relating to nutrition, food and agriculture;
 - ii. the improvement of education and administration relating to nutrition, food and agriculture, and the spread of public knowledge of nutritional and agricultural science and practice;
 - iii. the conservation of natural resources and the adoption of improved methods of agricultural production;
 - iv. the improvement of the processing, marketing and distribution of food and agricultural products;
 - v. the adoption of policies for the provision of adequate agricultural credit, national and international; and
 - vi. the adoption of international policies with respect to agricultural commodity arrangements.
- g) It shall also be the function of the Organization:
 - i. to furnish such technical assistance as governments may request;
 - ii. to organize, in cooperation with the governments concerned, such missions as may be needed to assist them to fulfil the obligation arising from their acceptance of the recommendations of the United Nations Conference on Food and Agriculture and of this Constitution; and
 - iii. generally, to take all necessary and appropriate action to implement the purposes of the Organization as set forth in the Preamble."

5. In 1999, following the World Food Summit in 1996, FAO Members restated in the Strategic Framework for FAO 2000-2015 three interrelated global goals that the Organization is specifically dedicated to helping Members achieve. These goals remain as relevant today as when they were first included in the mandate of FAO:

- a) access of all people at all times to sufficient nutritionally adequate and safe food, ensuring that the number of chronically undernourished people is reduced by half by no later than 2015;
- b) the continued contribution of sustainable agriculture and rural development, including fisheries and forestry, to economic and social progress and the well-being of all; and
- c) the conservation, improvement and sustainable utilization of natural resources, including land, water, forest, fisheries and genetic resources for food and agriculture.

6. These were entirely in line with the Millennium Declaration and are mutually supportive. The first goal corresponds directly to Millennium Development Goal (MDG) 1 to halve poverty and hunger by 2015. This goal derives directly from the World Food Summit and is faithful to FAO's constitutional mandate. The third of the goals corresponds directly to MDG 7, which addresses sustainable use and conservation of environmental resources.

2 THE OVERARCHING MESSAGES

7. From the vast wealth of evidence gathered in the course of the evaluation, 15 overarching messages emerge as "headlines". The messages are forward-looking, while based on learning from the past. The chapters that follow provide detailed the evidence for these key conclusions and the large number of specific recommendations made by the IEE throughout this report.

8. Message 1: The central conclusion reached in this evaluation can be summarized in three words: reform with growth. As will be seen in what follows, the IEE concludes that to remain relevant to the needs of its Members and to fulfil its mandate, FAO will need to make major and sweeping reforms. The IEE also concludes that such reforms will only be possible and sustainable within an agreed framework that arrests and then reverses the financial, programmatic and strategic declines that have defined the Organization over the past two decades.

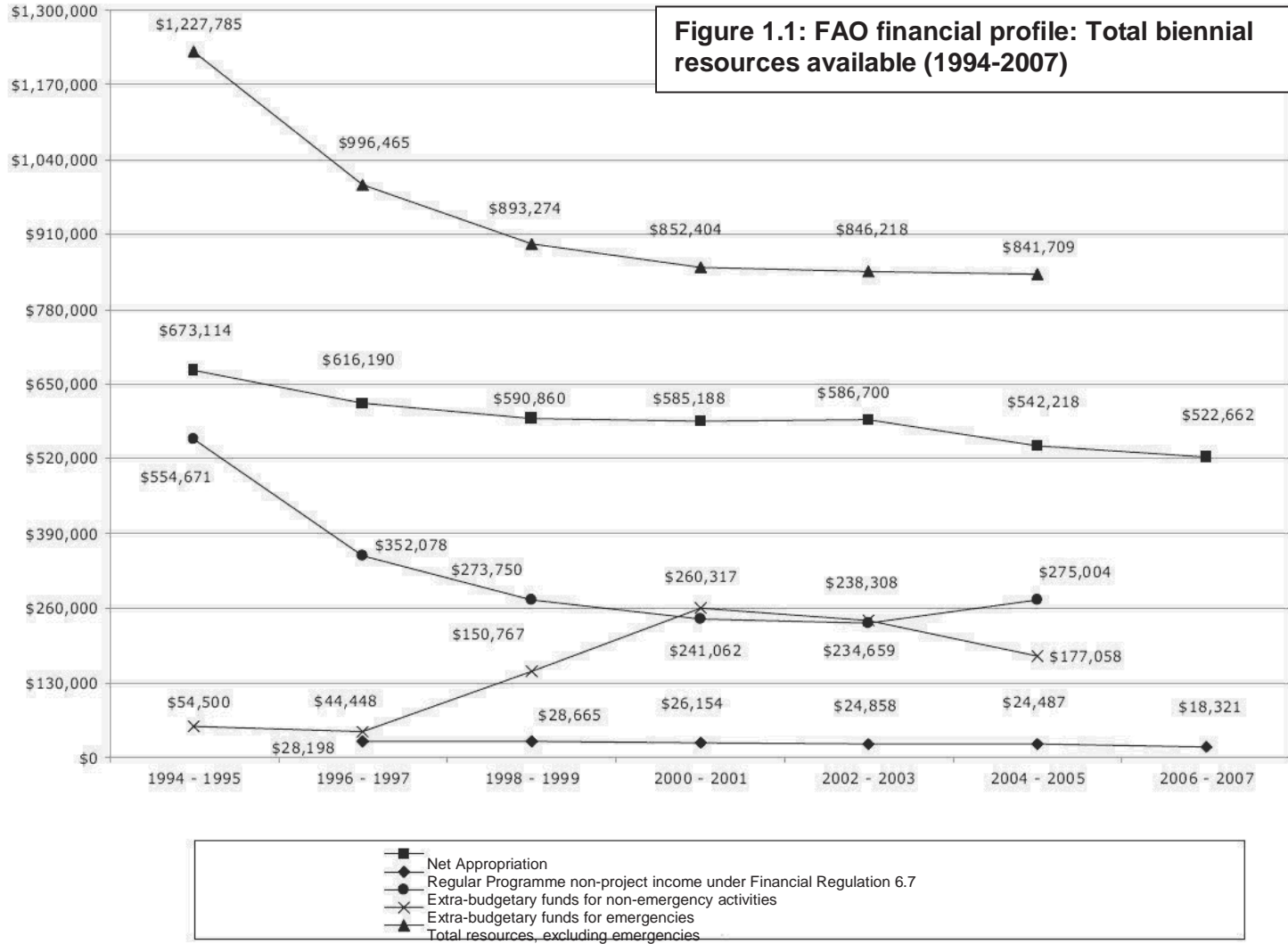
9. Message 2: FAO is in a serious state of crisis which imperils the future of the Organization. The factors that have given rise to and sustain the crisis are

numerous and are analysed fully in this report. Some of these are due to the dire state of FAO finances; some arise from structural and organizational defects; some are of a technical nature; others involve deficiencies in administrative and management systems. The IEE's conclusion, however, is that the largest contributing factor to FAO's crisis is the low levels of trust and mutual understanding between Member Nations themselves and between some Member Nations and the Secretariat. Many senior government officials interviewed by the IEE claimed that levels of mutual trust are lower in FAO than in most other United Nations organizations. Whether or not this comparison is true, it is clear that the low levels of trust and mutual understanding that currently prevail in FAO Governing Bodies undermine the capacity to hold real dialogue and to reach decisions.

10. FAO is not alone in needing to address the issue of trust. A very recent four nations (Chile, South Africa, Sweden and Thailand) report⁷ on the UN secretariat concludes that: *"The issue of trust concerns both the relation between Member States and that between Member States and the Secretariat. Lack of trust is not a new phenomenon; it has been a fact of UN life since the beginning. Some would even say it is unavoidable in an international organization where Member States have different agendas and programmes. Unclear accountability and less than satisfactory implementation of mandates might lead to low levels of trust or confidence and subsequently to high demands on detailed information from management to governors. Some degree of trust – though not necessarily complete agreement – is needed to succeed with further improvements."* It also reports that *...a higher degree of trust is one of the prerequisites for agreements on further change, but that it should also be a consequence of the changes. Trust is both a goal in itself and a basis for... continued progress...* (page 6).

11. The IEE agrees with this assessment and is convinced that a prerequisite to resolving the crisis enveloping FAO is the generation of much higher levels of trust, mutual understanding and confidence. The IEE is also convinced that the extent of FAO's crisis cannot be overstated. The Organization's current financial resource trajectory is unsustainable and, unless corrected with urgency, will quickly result in further marginalization leading to institutional irrelevance. The graph below depicts FAO financial resources over the past seven biennia. It shows that total resources (net of extra-budgetary funds for emergencies) declined by 31 percent between 1994 and 2005. Net appropriations declined by 19 percent (and 22 percent by 2006-07). Extrabudgetary contributions (net of emergencies) declined by 50 percent.

⁷ *Towards a Compact: Proposals for Improved Governance and Management of the United Nations Secretariat*, September 2007.



12. Message 3: If FAO were to disappear tomorrow, much of it would need to be reinvented. In its sixty-two years of existence, FAO has made indispensable contributions to the well-being of humanity. There are numerous examples of this. To name but a few: in the 1960s and 1970s, FAO was at the forefront of the agricultural production gains made by newly independent countries. It also was critical in the establishment of many of the key conventions (IPPC), standard-setting agreements (Codex Alimentarius), early warning (GIEWS) and essential data collection systems. In the 1990s, when large international development organizations had largely abandoned the imperatives of agricultural production and food and nutrition security, FAO kept international focus on these issues with the World Food Summit of 1996. The IEE conducted an extensive evaluation of the work of FAO today and the results of this are reported in Chapter 3 of this report. This examination confirmed that FAO continues to produce a range of products and services that are highly valued and that there are simply no alternative sources of supply for many of these. Although numerous government representatives were harshly critical of FAO in IEE interviews, they also agreed with the broad international consensus that FAO is needed and that it continues to provide an exceptionally broad range of relevant and effective products and services.

13. The IEE also found, however, that FAO not infrequently dissipates resources, providing products and services with few significant outcomes or impacts and in areas where it no longer has comparative advantage. Many of FAO's development activities were found to comprise small, non-strategic interventions with little, if any, prospect of replication elsewhere or of generating sustainable benefits. Similar problems were found with some of the normative outputs. If FAO were to disappear, it would not be re-invented in its current form, but in a form that would:

- i) build on its areas of excellence, undeniable strengths and continuing relevance;
- ii) strengthen selectively areas of essential work that have become weakened; and
- iii) cease activities in others.

14. Message 4: The world needs FAO to fulfil the potential it has to contribute to the 21st century, but that potential will result only if a new political consensus is reached, based on renewed trust and mutual respect. FAO has many of the core elements required for a solid base to project itself successfully on the world stage. The ongoing wider UN reforms offer the opportunity, incentive and momentum that FAO needs to seize as it embarks on an institutional renewal that

builds on its strengths and comparative advantages. However, this cannot be constructed from the old approaches. A transformation is required. This can only succeed if a new political consensus is reached amongst the membership, predicated on renewed trust and mutual respect. It is a precondition for successfully establishing the new outcome-oriented and client focused mechanisms, instruments and culture required for FAO to meet the challenges of the 21st century.

15. Message 5: The goal posts must shift - FAO's future relevance and effectiveness will depend on enhanced strategic and policy capabilities focused both on new realities confronting food and agriculture and on creating the large enabling environments that will be needed to address them. The evidence is now conclusive that the overall global food situation has shifted dramatically. Production is now growing more slowly and is inadequate to the demands of increasing population and income growth and to new patterns of demand for livestock products, higher value crops and biofuels. In addition, the evidence is also conclusive of growing stresses on existing production techniques and cropping patterns as a consequence of climate change, urbanization and population growth. There is also conclusive evidence that those least developed countries (LDCs) that are also food deficit countries suffer from higher rates of malnutrition in their populations than those in or near to food balance.

16. FAO needs to respond effectively to these realities if it is to address successfully the larger emerging challenges of achieving food security. This means that it must be able to address simultaneously food production, livelihoods, income and food access. This will require foresight and policy capabilities that integrate multiple factors and that address these issues in a holistic manner. Production technologies will continue to be essential, but there can be only limited uptake of these technologies unless the enabling environment of policies, institutions, legislation and infrastructure are assured. It is in these latter areas that FAO should be able to demonstrate its main comparative advantage as the only global organization specifically mandated to ensure the integration of all these factors.

17. This also requires a significant shift in FAO's approach and in its current strategic emphasis and programme for rural and agriculturally based development. The shift required would look to the larger enabling environments required for food security and adequate nutrition through production, employment, livelihoods and income generation. In this context, the IEE was encouraged to note that rural income generation was an area of FAO policy analysis and that agribusiness is beginning to receive more emphasis. Employment, income generation and food supply will often

be through small farms and supplementary income initiatives. More and more, however, it will also be in small and medium enterprises where investment in agriculture can be brought together with managerial skills for higher value products and value added in the supply chain. Such a shift will also facilitate agriculture making a greater contribution to overall economic development. Where employment and income are generated in more productive areas, it will also lessen the pressure on fragile zones.

18. In general, FAO can bring little directly to these enterprises and the entrepreneurs who own them. It can, however, work with governments to lower transaction costs through enabling policies (e.g. legal entitlements regulatory frameworks, norms, standards and institutional arrangements) and an environment which includes the assurance of services and provision of rural infrastructure. This implies a major shift in focus in the work of the Organization in agricultural and rural development with respect to policy, trade, institutions and production. Therefore, the starting point for FAO strategy and analysis must involve a shift of the goal posts.

19. Message 6: FAO urgently needs to make tough strategic choices. To continue to try to “muddle through” is not an option. In its Programmes of Work and Budget (PWB) over most of the past two decades, FAO has confronted increasing gaps between means and ends. It has addressed this by two basic measures. The first - staff reductions and some attempts to achieve efficiency gains (see Chapter 6) – has not resolved the problem. The second has been a “muddle through” response of across the board reductions to almost all programmes and departments (see Chapter 7). These have mainly served to exacerbate the means to ends problem. For the most part, the Organization has not been capable of making difficult strategic choices with a view to ensuring the alignment of means to ends. One result is that the Organization’s priorities have become increasingly unclear.

20. This has also led to FAO too often operating under crisis management conditions. Although the current Director-General attempted valiantly to achieve quantum breakthroughs in order to revitalize the Organization (e.g. initial reforms in 1994-95, the World Food Summit of 1996 and more recent reform proposals in 2005-06), this did not have the desired effect. Thus, the Organization’s main adjustment efforts across many biennia have failed to re-ignite confidence in the Organization or a willingness of its major contributors to increase its budget. Rather, the net result of downward adjustments in one biennium has been a call for more of the same in the next. The IEE cannot emphasize enough that FAO is today on the brink. If the

current “muddle through” trajectory continues, the result will be increasingly rapid institutional decline.

21. If FAO is to maintain relevance and effectiveness, it must make difficult choices among main priorities, on alignment of means to ends and on how and where to position the Organization in an increasingly complex and competitive world. Within the area of global public goods, there are critical strategic choices to be made. Yet, FAO decision-making at the governance level has become trapped in a misleading discourse of “normative” *versus* “operational”. In addition to contributing to the distrust referred to above, this has introduced definitional and conceptual confusion into the Organization.

22. Some Members express the view that FAO should have no significant role outside the normative. Others tend to see the normative as primarily of interest and benefit to developed countries and claim that “what FAO does on the ground is all that really counts”. Both positions entail vast over simplifications as well as a disregard of the mandate assigned to FAO in its Constitution. The Constitution specifically requires the Organization to function both normatively and operationally, to produce global public goods and to ensure their accessibility to those who need them. When the IEE examined these two positions more closely in extensive interviews with Member Representatives in Rome and in country visits, it became clear that almost all accepted that this involved a mutually complementary continuum of work.

23. Message 7: FAO must become a more flexible Organization while continuing to be a responsible manager of public funds. It needs to break out of its risk-averse culture, creating greater efficiency and effectiveness. Today's challenges are not those of tomorrow. The Organization has been conservative and slow to adapt, slow to distinguish changes in development approach and areas of priority which need to be made from those which are the latest fad. Capacity for this discerning flexibility and for the agility needed to respond to changing situations and new challenges cannot be obtained without major changes to the way FAO is organized, the way it works, the behaviours it seeks and rewards and the systems it applies in its administration and its human resources management. It will require culture change in both the Secretariat and Governing Bodies.

24. FAO currently has an especially heavy and costly bureaucracy characterized by: excessive *ex ante*⁸ control processes involving review and scrutiny during the execution of individual transactions and prior to their final approval; high levels of overlap, duplication and transaction costs; and low levels of delegated authority relative to comparator organizations. This heavy bureaucracy creates and reinforces an organizational culture of rigidities, highly centralized authorities, weak horizontal communication and linkages and risk aversion. It also greatly limits FAO's potential for development effectiveness in meeting the needs of its Members.

25. Yet, FAO needs to exercise fiduciary responsibility while ensuring that the execution of its programmes is efficient (e.g. conducted at the lowest level of the hierarchy commensurate with responsibility for the transaction) and effective (e.g. deployment of required inputs supporting high quality and timely action). Many routine actions still require routing through multiple layers of the hierarchy (e.g. travel, overtime requests and letters of agreement). Moreover, ultimate approval for some transactions is fixed at very senior levels (e.g. hiring consultants over 62 years of age on more than US\$150 per day; hiring of international consultants on the TCP facility; registration of small consultancy firms). This is a drain on scarce staff resources, entailing timeconsuming preparation and review of submissions. It acts as a major break on efficiency and rapid response, and weakens individual responsibility and accountability for transactions. Everyone is responsible, yet no one is responsible. The cost of *ex ante* controls for transactions entailing financial commitments must be commensurate with the value of the transaction (for example on support staff overtime) and tailored according to the potential loss (for example on travel). The IEE believes that FAO has not struck a desirable balance in the exercise of fiduciary and programme delivery responsibilities, and that a change in the "business model" is warranted. This could draw upon on the best practices of other organizations.

26. At the same time, the current practices for transaction approvals feed through into the daily practices of FAO staff, making them risk-averse, rendering staff reluctant to take decisions, reluctant to innovate, reluctant to use even the authority they have. The criticisms for untimely action are perhaps insufficient - '*The consultant arrived three weeks late but we followed the rules*'. The criticism for innovation or a timely decision which went wrong is generally greater than the praise for a risk which went right. Human resources management to support change will need to establish positive

⁸ *Ex ante* refers to approval and control measures applied before the event that is subject to control takes place. It contrasts with *ex post* control and validation measures, applied after the event that is subject to control has taken place (i.e. retrospective).

incentives, reward excellence, encourage informed risk-taking and acceptance of errors as opportunities for learning and continuous renewal. At the same time, true delegation of responsibility will require an emphasis on staff training and improvement in corporate administrative systems, as well as an increase in *ex post*⁹ monitoring. The overarching challenge is to open the Organization up to initiative and individual responsibility and move the Governing Bodies, management and staff away from their entrenched risk-averse culture.

27. Message 8: As a knowledge organization, FAO's job is to support Members in ensuring that the needs of the world in its area of mandate are fully met – not necessarily to undertake each task itself. FAO must become more of a facilitator and concentrate its actions as a doer in its areas of comparative strength. FAO must now become strategically integrated to ensure that the world's knowledge of food and agriculture is available to those who need it when they need it and in a form which they can access and use to contribute to the three goals of member countries, as specified in the Strategic Framework for FAO 2000-2015:

- a) advocacy must deliver technical policy messages and help drive a global and corporate policy agenda. As the UN agency charged to address a substantial sector, FAO has important (in some cases, essential) messages that the world needs to hear but these are not being adequately heard. There must be concentrated and sustained effort on fewer key messages, while bringing the tools of advocacy also to FAO's main technical areas;
- b) policy support must assist countries and the global community to make their own informed decisions (an area where FAO's neutrality can often provide it an absolute comparative advantage¹⁰; and c) capacity building must be delivered as an integrated whole bringing together technical cooperation, access to knowledge, experience and decision-making, with FAO both as a facilitator and provider. Direct support in the application of

⁹ *Ex post* refers to control and validation measures applied after the event that is subject to control has taken place (i.e. retrospective).

¹⁰ In economic terms, comparative advantage is defined as the ability to produce a good or service (or knowledge) at a lower opportunity cost than another economic actor. Comparative advantage, however, is difficult to measure, especially in non-market situations and in the area of public goods (which is FAO's case). The IEE has addressed comparative advantage by seeking to identify areas in which FAO is the sole provider of a good or service (absolute comparative advantage); where it produces a good or service better than other providers; and areas in which there is evidence of high effectiveness and impact of FAO's work relative to other providers.

production technologies as distinct from appropriate policies and capacities is less and less necessary. Member countries themselves and many competing sources of supply can generally fulfil that role (see Chapter 3).

28. Message 9: FAO must strengthen its global governance role, as a convener, a facilitator and a source of reference for global policy coherence and in the development of global codes, conventions and agreements. The Organization's strategic objective must be to rebuild an authoritative and effective voice on behalf of rural people, the hungry and all those who can benefit from agriculture playing its role in the economy, including consumers. FAO is the only global organization to speak for this constituency. At best, secondary attention is accorded to global governance responsibilities – to aligning the collective action requirements for human well-being through food and agriculture. It was global governance failure that led to the creation of the UN and FAO in the first place. FAO's Governing Bodies infrequently address the large issues of global policy envisaged as central to the role of the Organization by its architects. When they have, it has generally not been at their own initiative but in response to that of the Director-General. This, as with other areas of FAO's work, must look to where Members' needs lie, FAO's comparative advantages and the potentials for partnerships and alliances. The concern is to ensure that global governance meets the needs of FAO's constituency, not necessarily that FAO takes the lead in every respect.

29. Message 10: FAO's governance is weak and is failing the Organization. FAO governance has not ensured an adequate corporate strategy with realistic priorities, has not assured that means are aligned with ends and has not been measuring the Secretariat's performance against agreed goals. The division of functions and responsibilities between Governing Bodies and management has become blurred. For those countries not able to procure their own independent advice, the lack of opportunity for such advice to the Governing Bodies on major matters can also be a disadvantage.

30. Message 11: FAO has many talented staff with a deep commitment to the mission of the Organization, but they are stifled by the fragmented structures of FAO and rigidly centralized management systems. High-quality human resources are the most valuable asset in a knowledge organization - which is what FAO is. FAO has, for the most part, talented staff with high levels of technical expertise that are strongly committed to the Organization's mission. However, they are currently discouraged. While this is partly a result of resource decline and staff members' uncertainty about their future, staff are also feeling stifled by outgrown and

'overmanaged' management and administrative systems. While often feeling overburdened, they are, in effect, underused. This holds the Organization back from reaching its full potential and undermines its effectiveness.

31. Message 12: There is a widespread thirst and readiness within FAO for major and fundamental change, but an almost equal cynicism about whether senior management and the Governing Bodies can make this happen. The IEE found high levels of readiness to contribute to institutional renewal. This needs to be embraced and given direction before it withers. The warning signs are already there. Alongside the strong commitment of staff to FAO's mission, there is a comparable degree of pessimism about its future, rooted in disbelief that the Governing Bodies and top management have the will to lead and steward the depth and breadth of change required.

32. Message 13: There is scope for FAO to achieve further major efficiency gains. These efforts can build on the many positive actions taken since 1994 to quantify and achieve efficiency savings as well as the emphasis on streamlining in the 2005-06 reforms. However, further savings will require a forceful effort to remove FAO's excessive bureaucracy, reduce inefficient and costly hierarchical structures, delayer and amalgamate units, simplify and streamline procedures, move procedures from detailed descriptions of what transaction path must be followed to the establishment of criteria which must be met and overall processes observed. There are many areas identified throughout the IEE report where FAO could increase cost-efficiency. The movement from a risk-averse culture to a culture of responsibility with *ex post* monitoring is perhaps the most important element in this.

33. Message 14: FAO does not deserve the generally "bad name" it has as a partner. Although it is still true in some areas, FAO is generally proving itself as a sincere and effective partner and it is struggling to achieve this in others, even with the handicap of few resources to make partnerships effective. The external perception of the Organization as an unwilling partner has been slow to catch up with the new reality that FAO has been building over recent years under current leadership, including its active support for the "UN Delivering as One" initiative. FAO still has many internal challenges to overcome in order to be able to be a good partner – not least of which are its heavy bureaucracy and low levels of delegated authority to decentralized offices, which undermine the Organization's flexibility and agility in response to its UN and other partners' needs, especially at country level.

34. Message 15: There is a serious misperception in some quarters as to the size and resources of FAO. This has clouded thinking about the Organization, its potential, what can realistically be expected of it and its resource needs. Improved and more realistic perspectives on the true size of FAO are required. FAO's current annual Regular Budget of US\$370 million and its 3 072 staff positions are really quite modest when viewed against its global and growing mandate. For example, the total staffing level of the sixteen international agricultural research centres of the CGIAR is 7 874, more than twice that of FAO, and the CGIAR's core budget is slightly larger than that of FAO. To provide some further perspective, for 2005 the budget of the Department of Fire and Forestry for the state of California was US\$700 million; the Food Standards Agency of the United Kingdom has 2 400 full-time employees; and the 2004 budget for the Federal Department of Agriculture of South Africa was US\$207 million, in addition to the provincial budgets.

35. The above 15 headline messages bring the IEE to reaffirm Message No. 1: Reform with Growth. Without clear agreement on a programme of significant and sustained reform and the growth in resources required for it, forward movement of FAO is difficult to envisage. FAO is in a financial straitjacket. Its overall core competencies and delivery capabilities have been critically eroded in many areas as a result of the steady decline in its total resources, especially for the Regular Budget. The financial situation is both a cause of these problems and the consequence of deeper ones. Paradoxically, a shrinking budget coupled with commitments to staff in posts with particular knowledge and skill sets (plus the staff regulations throughout the UN system) make it more difficult to adjust priorities than an expanding budget, where priority areas can be granted additional resources. Unless corrections are first made to the deeper problems of strategic direction and strategic choices, management processes, structural and administrative barriers and the core culture of the Organization, the confidence and trust that are prerequisite to increased financing will not materialize. By the same token, as FAO addresses its other root problems, it will need and merit new money.

36. What is now required is a major package of transformational reform with growth, a path forward agreed between the Members in consultation with the Secretariat which will deliver an FAO for the 21st century. FAO cannot fulfil the expectations of its Members, exploit its comparative advantages or preserve its core competencies with further reductions in the real level of its budget. Transformational reforms should act as the trigger for the increased resources, which will themselves permit the reforms to happen.

37. The eight chapters of this evaluation combine to tell much of the FAO story from its inception over six decades ago. Chapter 2 reminds us that FAO was founded on the same noble vision that led to the founding of the United Nations: "Global war - never again and the conditions that led to global war - never again". Chapter 2 also traces the Organization's sixty year trajectory, characterized by a steady transition from stability to turbulence, from financial expansion to contraction, from sole provider to membership in a large club of providers.

38. FAO has not managed the transition well. A decline that began in the 1980s is now rapidly accelerating. The Organization has entered a phase in which there is a crisis about its future. Since 1994-95, the Regular Budget has declined in real terms by 22 percent and the total resources available to the Organization, excluding emergency extra-budgetary funds, by 31 percent.

39. If current trends continue, the Regular Budget will fall by an additional 11 percent over the next three biennia. Assuming also no change in the pattern of extra-budgetary contributions from the past three biennia, FAO's total biennial financial resources, excluding for emergencies, will have fallen to approximately US\$716 million by 2012 (in 1994-95 dollars), a reduction of about US\$90 million from 2006-07. At the same time, if the present trends continue, by 2012:

- i) FAO will still be trying to deliver most of its current goods and services;
- ii) all or almost all of its programmes will have continued to shrink;
- iii) the number of its field offices will have further increased but without adequate financial resources for them to function; and
- iv) its headquartersbased core technical competencies will have fallen well below critical mass in many key areas.

40. A second danger is that discussion of the IEE report and its proposals will drag on, with Members and the Secretariat each emphasizing those aspects of the report and its recommendations they like and those they do not, continuing to argue on ideological lines, rather than examining the evidence base. Finally, some changes will occur, but they will be at the margins (too little – too late) and will not rekindle Member confidence or reverse the basically downward trajectory referred to above.

41. In pointing to this gloomy picture, it is the world that will lose. The importance of FAO is not that it is FAO but that the world, in particular its poorest citizens, will

be less well served by its global institutions than they have the right to expect. The central challenge issued to the IEE was to help to prevent this from happening by “covering all aspects of the Organization”; seeking to “help to strengthen the sense of unity and purpose among the membership of the Organization, to make FAO fit for the twenty-first century and the challenges ahead.” The main conclusion of the IEE is that this can only happen through a comprehensive programme for institutional renewal. Although additional funding is without doubt a key requirement, the problems cannot be solved or the challenges met by few sequential adjustments or by an influx of new financing alone.

42. Based on its evidence-based evaluation of FAO’s activities, the IEE is convinced that a successful and worthwhile way forward can only be achieved through a new compact of “reform with growth” among the Members, underpinned by a shared vision of FAO’s future work. The key question is how to accomplish this.

43. Some FAO Members will incline to a “financial growth first as a minimum precondition for reform”. Others will incline to “major and sustained reforms before financial growth”. The strong conclusion of the IEE is that a persistence of these opposing formulations can only produce further deadlock, a deepening of mutual distrust and a bleak future for the Organization. Indeed, the IEE concludes that if these two formulations persist, the decline of the Organization towards marginalization and irrelevance will accelerate. If FAO’s Members cannot find the political resolve and the means to achieve reform and growth simultaneously in a unified interdependent package, the Organization will not be fit for the needs and challenges of the 21st century.

44. The IEE believes that a first and essential signal to break the current deadlock would be agreement to put a stop to further decline in Regular Budget resources in real terms. A further application of “zero nominal growth” (ZNG) is, in the judgment of the IEE, not sustainable if FAO’s membership genuinely wants to have an organization that is “fit for the 21st century and the challenges ahead”. The steps that need to be taken are steps that build trust and shared understanding. In this regard, the IEE has concluded that a signal of zero real growth (ZRG) for the next biennium is probably the minimum precondition for the formulation of a programme of transformational reforms. This would not bring about real growth, but it would indicate a willingness to stabilize the Organization and to put the “change with growth” proposition to a serious test. Should the transformational changes required for the future of FAO not follow, the experiment would, sadly, have failed and the pattern of budget reductions would recur.

45. Accordingly, the IEE believes that its first two recommendations are fundamental to the prospects of successful reform with growth. These are:

46. Recommendation 1.1: The IEE recommends the formulation of a 3-4 year Immediate Action Plan (IAP) after the 2007 Conference based on the recommendations of the IEE report and any overall directions from the Conference. The Immediate Action Plan (IAP) would require the development of a schedule of milestones for all the agreed deliverables and provide the basis for monitoring the completion of each deliverable through indicators of progress. A communications plan should form an integral part of this to keep all Members, the FAO Secretariat and main partners apprised of the progress on an ongoing basis. Some of the recommendations would fall into the category of 'quick wins' (i.e. recommendations that could be implemented in 2007 and during 2008), providing early evidence of progress, contributing to momentum and building confidence. Other recommendations are of a longer-term nature and these should be tracked through regular progress reports.

47. The IAP must be co-owned by the Governing Bodies and the Secretariat. The aim of the IAP is to secure the future of FAO as the dynamic, credible, trusted and effective global organization that its original architects intended. This is clearly the responsibility of governance, but it can only be achieved through processes that produce co-ownership by both the Governing Bodies and management. Momentum must not be lost or the opportunity for reform with growth will be lost with it.

48. Recommendation 1.2: As part of the broad discussion and agreement at the November 2007 Conference on the main processes and priorities for moving forward beyond the Conference, the Governing Bodies could consider the following arrangements:

- a) the Immediate Action Plan should be discussed at a short special session of the Conference in the second half of 2008, allowing clear decisions to be taken, including budgetary implications, on implementation, starting in January 2009. As an integral step, the Governing Bodies and management within their respective authorities are encouraged to establish a Working Group constituted from representatives of the management and membership to facilitate the development of the Immediate Action Plan. The inputs would be drafted by FAO Secretariat for consideration in the working group;

- b) it is also suggested to continue an arrangement such as the Friends of the Chair or a Council or Conference Committee to develop proposals for governance reform and provide a forum for the membership as a whole to discuss the proposals coming forward from the working group, with a view to agreement at a 2008 special session of the Conference;
- c) the working group would receive information from management on its intentions for reform and would review and recommend to the Friends of the Chair (or Council/Conference Committee) proposals for reform in areas of joint responsibility such as priority-setting. In making this recommendation, it needs to be made very clear that the IEE is not proposing a co-management of FAO. Indeed, many of the reforms recommended in Chapter 4 on governance aim at strengthening the role and authority of management and ensuring greater clarity on the roles of management and of governance. The aim of the IAP, however, would be the securing of the future of FAO. This is clearly a joint responsibility of governance and management. A central aim of the working group recommended by the IEE is to build shared trust and confidence among the membership and between the membership and management on the components, timing and requirements of the IAP. Moreover, many recommendations on governance itself are suggested for the IAP. The inclusion and subsequent disposition of these can only be determined by governance. The hope, then, is that the consultative and mutually-engaging nature of the process to prepare the IAP would result in a high degree of ownership across the membership and co-ownership between it and management; and
- d) the Governing Bodies may also agree at their November 2007 sessions on changes which have limited cost implications and on which there is common agreement. This could include those institutional changes which can facilitate the development and implementation of the Immediate Action Plan.

49. In practical and sequenced terms, this suggests the following time line towards an agreed Immediate Action Plan (IAP) and initial implementation:

- a) November 2007 - Meeting of Council and Conference: Endorsement of the establishment of a working group charged with preparation of the IAP based on the IEE report and continuation of an arrangement such as the

Friends of the Chair or establishment of a Council or Conference Committee. The financial baseline for the IAP should also be agreed and should be set at not less than zero real growth for the biennium 2008-2009 with agreement to consider the incremental costs of reform at the 2008 special Conference session;

- b) December 2007- August/September 2008: The joint working group and Friends of the Chair develop the IAP based on the recommendations of the IEE. The plan would include recommended priorities, timelines, critical path, milestones and working and resource requirements. The Independent Chair would keep the entire membership informed of progress on an ongoing basis; and
- c) September/November 2008: A special session of the Conference would examine the proposed IAP, its recommended priorities and its resource requirements. If the plan is agreed and resources allocated, implementation would follow immediately. With the exception of recommendations specifically addressed to governance, management of the plan would be the responsibility of the Secretariat. At the same time, preliminary discussion of a proposed new Medium-Term Plan and Strategic Framework for FAO, as described and as recommended in Chapter 7 of this report, would be presented and discussed. This would be approved at the 2009 Conference session in the first half of 2009 and would provide the basis for the decision on an integrated growth budget (Regular Programme and extra-budgetary for 2010-2011). It would include stipulation of clear strategic choices and priorities, programme specificity, opportunity costs, results indicators, monitoring and evaluation instruments (including tracking arrangements involving the Council or one of the Committees of the Council), alignment of means to ends and a resource mobilization strategy. Taken together, the IAP and the new Medium-Term Plan/Strategic Framework would then comprise the foundations for the preparation of a longer-term compact by the membership for the "Change with Growth" renewal of FAO.

50. This report makes 109 separate recommendations which include 313 deliverable products. The aim of these is to facilitate a comprehensive transformation of FAO and the building of shared understanding, confidence and commitment among all the membership on the future of the Organization. Table 1.1 shows the number of recommendations and actionable sub-components (or deliverables) by chapter of this report.

Table 1.1 Classification of recommendations by chapter		
Chapter	Number of recommendations	Approximate number of actionable subcomponents
1. The IEE in Synthesis	2	3
2. Background and Context	0	0
3. Relevance and Effectiveness of the Technical Work of FAO for the 21st Century	24	75
4. Governance	20	60
5. FAO in the Multilateral System - Partnerships	10	22
6. Situating FAO's Culture, Organization and Structure	22	47
7. FAO's Programme Cycle	11	37
8. Administration, Human Resources and Finance	20	69
Total	109	313

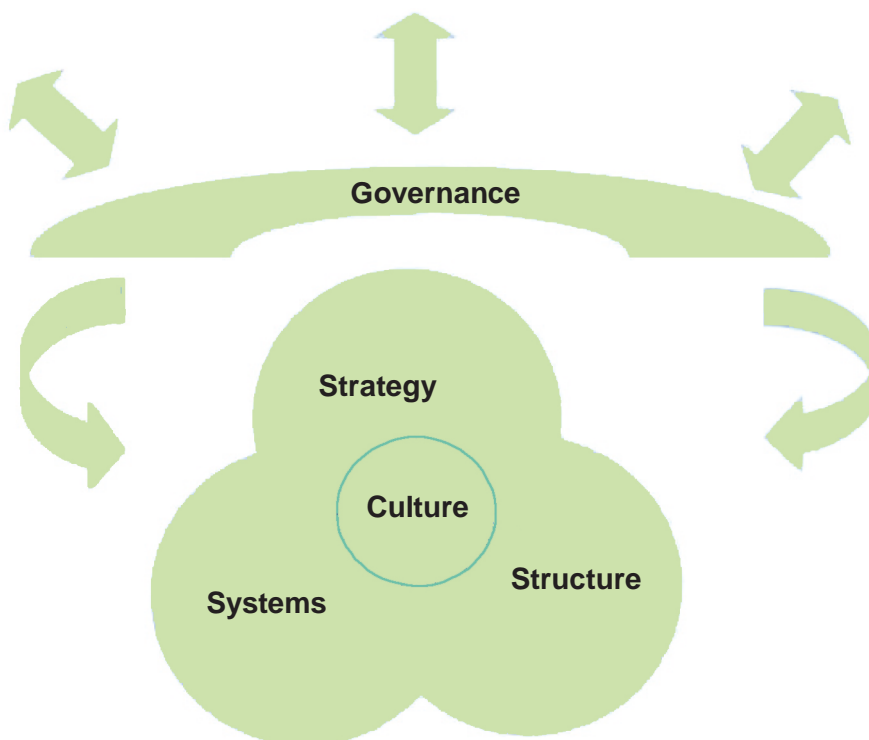
51. Many of the recommendations are interrelated and/or interdependent. For this reason, they have also been organized into four clusters for ease of reference and as a suggested basis for organizing the Immediate Action Plan in order to deal with them. Clearly, not all IEE recommendations and their related deliverable products may be agreed but the IEE considers that the overall framework of the four clusters provides the broad picture of institutional transformation needed by FAO and that a joint focus by Members and management on this broad picture may furnish the Organization with the way forward.

52. The four clusters are:

- a) STRATEGY: Rekindling an FAO Vision Through a New Strategy (38 recommendations and 113 deliverable products);
- b) GOVERNANCE: Investing in Governance (25 recommendations and 84 deliverable products);
- c) SYSTEMS AND CULTURE: Institutional Change and Reform of Administrative and Management Systems (28 recommendations and 79 deliverable products); and
- d) STRUCTURE: Restructuring for Effectiveness and Efficiency (16 recommendations and 34 deliverable products).

53. Figure 1.2 depicts the broad interrelationship between the four clusters. The directional arrows in Figure 1.2 reflect the Governing Bodies' dual role: the fiduciary and oversight role towards the Secretariat (the downward arrows) and, secondly, the responsibility of the Governing Bodies to assure that FAO is equipped for and meets its global leadership mandate on food, agriculture and nutrition (the upward and outward arrows).

Figure 1.2: Relationship between clusters of IEE recommendations



54. Within each cluster, there are themes. These are outlined and described later in this chapter. Taken together, these reforms recommended within the four clusters constitute a major programme of institutional renewal.

55. Implementation will take time and involve many actors: management, Members and staff. Some of the recommendations and deliverable products can be achieved easily and quickly; others are complex and will require time, considerable effort and multiple actors. Some will require new financial resources while others are low cost. Some will generate immediate cost savings while others can be expected to demonstrate annual savings over the medium term. Given this complexity and with the aim of assisting management and the membership in formulating the Immediate Action Plan, including the requirements for its implementation, Annex 1 of this report summarizes the recommendations by cluster and shows:

- a) suggested or possible lead responsibility for each of the deliverables against three broad categories: management, Governing Bodies and management and Governing Bodies acting together;
- b) an estimated “intensity index” for each of the main activities as an indicator of the work required and/or number of actors that would be involved. Approximately 16 percent of the deliverables are low intensity (+), 59 percent medium intensity (++) and about 25 percent high intensity (+++); and
- c) some very preliminary and tentative cost estimates are presented in Table 1.2 and in Annex 1. These have been developed by the evaluation core team making use of information provided on request by the Programme and Budget Service of FAO. The estimates show minimum and maximum amounts in three categories: C- One time costs associated with the recommendations; A - Future savings; and B - Recurrent cost implications. Annex 1 provides details by themes.

56. The tentative and preliminary nature of Annex 1 needs to be underscored. The classifications and indicators provided are indicative only, aimed at clarifying the intent behind the IEE recommendations in order to assist and guide the elaboration of more detail in the Immediate Action Plan (IAP). The costing figures especially need to be interpreted with prudence. These may be expected to change depending on assumptions made, decisions adopted and more detailed examination.

57. As a first indicator only and as a guide to discussion and review by the Secretariat and the membership, therefore, the IEE suggests over four years:

- a) one-time costs of US\$62 million to US\$76 million for restructuring and transformation. These mainly include the costs of the Immediate Action Plan and the development of a new corporate Strategic Framework (US\$2-5 million), the cost of realigning the Organization and its human resources, including de-layering, reassignments and separation payments (US\$53-59 million), making strategic choices regarding the Technical Programme (US\$2-3 million) and conducting an overarching review of management and administration (US\$3-5 million);
- b) biennial savings after the completion of the Immediate Action Plan and the introduction of structural and procedural changes and efficiency gains of US\$61 million to US\$81 million. These result mostly from efficiency gains in administrative procedures (US\$8.4-16.2 million), de-layering and

streamlining the headquarters organigramme (US\$25-26 million), re-organizing the field structure (US\$12-20 million), making strategic choices regarding the priority areas of work for the Organization (US\$9.6-11.2 million), and ensuring that the conventions and other statutory agreements serviced by FAO do not constitute a steadily growing recurrent cost for the Organization (US\$4.6-4.7 million); and

c) recurring biennial budgetary implications of US\$77.7-109.3 million.

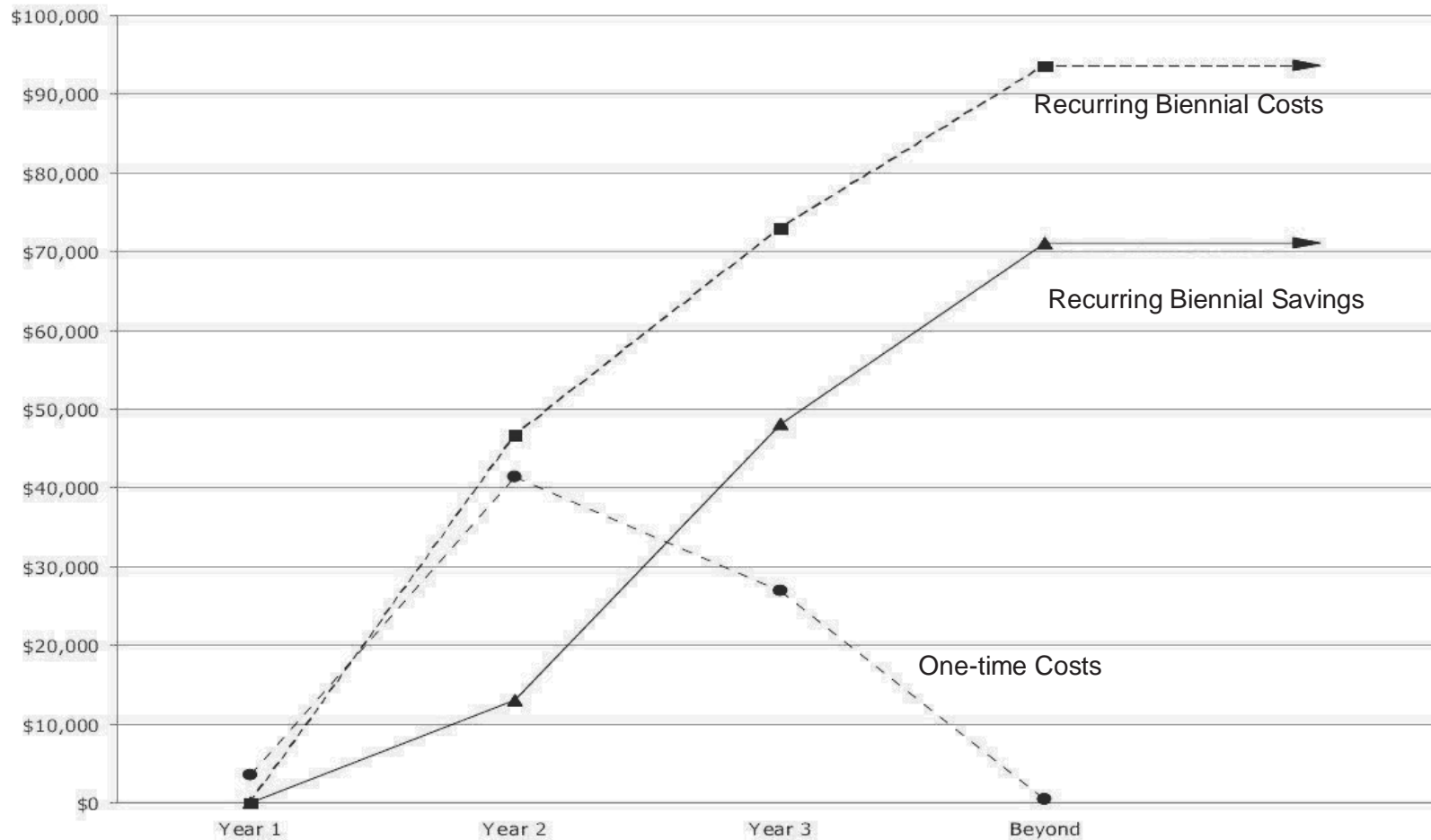
Table 1.2: Overview of Tentative Costs by Cluster			
Cluster	Recurrent biennial savings* (US\$ millions)	Recurring biennial costs* (US\$ millions)	One-time costs (US\$ millions)
Overarching Recommendations			1,2–2,8
1. Strategy	11,2–13,0	32,0–45,4	3,3–6,3
2. Governance	0,6–0,8	14,2–18,1	0,4–0,5
3. Systems and Culture	8,4–16,2	14,1–16,8	7,5–11,0
4. Structure	41,1–50,7	17,5–29,0	50,0–55,0
Total	61,3–80,7	77,7–109,3	62,4–75,6
<i>After-Service liability costs</i>		39,7	

* These estimates assume implementation of all organizational and programmatic restructuring within a 12-month period. Delays would reduce both the immediate savings and the recurring costs.

58. Figure 1.3 depicts the mid-points of the above costs and savings over the next four years.

(also in Annex 1)

Figure 1.3: Tentative estimated costs and savings from IEE recommendations (also in Annex 1)



3 THE FOUR CLUSTERS OF AN IMMEDIATE ACTION PLAN

Cluster I Rekindling an FAO vision

Theme 1.1: New Corporate Strategic Framework

59. FAO urgently requires a new corporate Strategic Framework and basis for the Medium-Term Plan, because at the moment:

- a) for all practical purposes, it does not currently have one and the question 'where is FAO going?' lacks a clear answer;
- b) the absence of a clear and agreed strategy is damaging FAO's financial situation and financial prospects. The right strategic framework is an essential foundation for successful resource mobilization;
- c) FAO needs to make major and difficult strategic and programmatic choices about what it can and cannot do; about what it needs to retain and strengthen and what it needs to shed; about what is a priority and what is not. It needs to gain clarity on trade-offs and opportunity costs, to align means and ends and to cease operating in areas where they do not coincide. It needs a coherent resources mobilization strategy. It needs to set clear performance targets to which it will be accountable; and
- d) making the choices and decisions discussed here are the prerequisites to increased confidence across the membership. The transparency of such choices and decisions is a key to honest and constructive discourse among the membership – to discussions in which Members talk to - rather than past one another. This, in turn, should contribute to increased trust.

60. The IEE recommends that after the Immediate Action Plan itself, the highest corporate priority be assigned to the development of a clearly enunciated corporate strategy and medium-term plan covering the full range of FAO products, understood and endorsed by all its Members and unequivocal in its stipulation of means-to-ends requirements. The strategy, as with all good strategies, should be aspirational, but, similarly, it needs to be grounded in pragmatism and rooted in reality. This will provide the strategic beacon and guiding framework, leading and channelling FAO's energy and human and financial resources. One reality for an FAO strategy is its financial stringency. That will not quickly be resolved, although the strategy should

aim to alleviate it through the demonstration of results and impacts (Recommendation 7.1).

61. In terms of product, the corporate Strategic Framework should combine what were the separate purposes and documents of the Strategic Framework and the Medium-Term Plan (Recommendation 7.1). The product would then flow from the three high-level goals specified in the 1999 Strategic Framework (Recommendation 3.1). These goals are all interdependent, with the first *primus inter pares*:

- a) overcoming hunger and malnutrition (food security);
- b) agriculture as a contributor to economic and social development; and
- c) sustainable management of the natural resource base for food and agriculture.

62. The plan will delineate clear priorities that reflect the criteria applied by the IEE in analysing the FAO technical programme (i.e. priority expressed by Members; topicality and interest to providers of extra-budgetary funds; use of the Organization's potential comparative strengths, including existing capacity and cross-disciplinarity; and potential for partnership – Chapters 3 and 7) and:

- a) set strategic priorities around FAO's core function of knowledge management, identifying five or six priority programme thrusts pinpointed from within an enlarged vision of the challenges for the future provided by the three goals of Member Nations as included in the Strategic Framework (Recommendations 7.1 and 7.2);
- b) base these on FAO's absolute and dynamic comparative advantage, recognizing that there are many other actors, where previously FAO was often alone, and position FAO clearly (Recommendations 7.2, 4.4 and 5.1 – see also theme 'Component Strategies' below);
- c) integrate National Medium-Term Priority Frameworks into the overall planning architecture (Recommendation 3.2 A) and develop indicative allocation criteria for TCP in the regions based on country needs and track records in use of previous TCP funds (Recommendations 7.8 and 3.2.C) – see theme 'Technical Cooperation at Country and Regional Level' below);
- d) integrate the Gender and Development Plan of Action as an integral (not separate) plan (Recommendation 3.19); set the performance and results targets to which the Organization will be held accountable, shifting the

focus from outputs to higher goals and related outcomes (Recommendation 7.2); and

- e) set the general magnitude of resource requirements for its objectives, fully integrating “extra-budgetary” contributions into the plan (Recommendation 7.1).

63. Chapter 3 of this evaluation includes an examination of all FAO programme areas and attempts to provide guidance on determining priorities and making opportunity cost decisions (see Table 3.16). The guide has been based on a number of criteria, each of which has been assigned a score from 1-4. The criteria are: (i) global need in relation to the three goals of member countries; (ii) stated priority of Members; (iii) performance; (iv) number of competitors or alternative sources of supply; and (v) potential for extra-budgetary support. The amalgam of these results suggests possible priorities for resource allocation according to high, medium or low as shown in Figure 1.4 below.

Figure 1.4 Possible priorities for resource allocation

High

- Knowledge Management
- Support in Emergencies
- Basic Statistics and Data
- Plant Protection and Pesticides
- Plant Genetic Resources and Biodiversity
- Livestock Sector Policy and Management
- Animal Health
- Food Safety
- Fisheries
- Forestry
- Gender Mainstreaming and Women's Empowerment
- Economic, Social and Food and Nutrition Policy
- Environment and Natural Resources Management
- Development of Policy and Strategy
- Capacity Building
- Lands and Soils

Medium

- Advocacy and Communication
- Information Systems and Publications
- Water and Irrigation
- Support to Investment
- Legal Services

Low

- IAEA Joint Work
- Crop Production and Processing Technologies
- Production, technology transfer and piloting
- Development of higher education, research and extension

64. The shared focus by Governing Bodies and management on strategic framework choices will necessarily generate attention to the key question of where FAO should be in four, six, ten and fifteen years time. This vision should be developed in close interaction between the membership and Secretariat. An appropriate arrangement for this will be required which would need to take place in 'real time'. The IEE recommends that this be done through a working group constituted from the membership and Secretariat. The group would need to remain

small in order to allow for genuine discussion and debate. It would feed into a wider group such as the Friends of the Chair or a Council or Conference Committee which would serve to keep all Members of FAO apprised of progress and milestones achieved, seeking feedback and suggestions while building ownership. The Strategic Framework will also include a performance contract for governance (Recommendation 4.14). These points are elaborated further under Cluster 2 - Governance.

65. Action timetable: A preliminary proposal for the Medium-Term Plan and a draft Strategic Framework should be prepared in time for the proposed special session of the Conference in 2008.

Theme 1.2: Component strategies (across technical areas)

66. The IEE has recommended the development of corporate strategies on a number of subjects that cut across technical areas. These constitute essential strategic components for the overall corporate Strategic Framework (above). Where they can be developed parallel with the overall corporate Strategic Framework, they will be important inputs to it. The final versions will have to be consistent and coherent with the five or six corporate priority themes decided for the overall corporate Strategic Framework. These 'component strategies' include:

- a) a coherent and dynamic resource mobilization strategy (Recommendation 7.6), fully aligning Regular Programme funds and extra-budgetary contributions with the priorities of the new corporate Strategic Framework;
- b) a communication and advocacy strategy (with some common fundamental messages agreed jointly with IFAD and WFP (Recommendations 3.4, 5.4.C and 5.10));
- c) a strategic vision on knowledge management (Recommendation 3.3), including requirements for knowledge dissemination (Recommendation 3.6);
- d) a partnership strategy (implementing the recommendations of the 2005 Partnerships Evaluation and other lessons, Recommendation 5.1); and, closely related within that
- e) a specific strategy and policy framework for working with the private sector (Recommendation 5.9) and with NGO/CSOs (Recommendation 5.8);
- f) a capacity-building strategy (Recommendation 3.24);

- g) a strategy for FAO's role in supporting countries to develop their own priorities, approaches and plans for investment, based on countries' needs (Recommendation 3.7);
- h) a strategy to gain a clear mandate for those emergency functions in which FAO holds comparative advantage (Recommendation 3.8);
- i) a full re-examination of the statistical and basic data needs for the 21st century (Recommendation 3.5); and
- j) a standby business continuity plan as part of risk assessment and planning (Recommendation 8.20A).

67. Action timetable: Development of these strategies will need to be prioritized within the Immediate Action Plan and all should be completed and considered by management and Governing Bodies within two biennia (four years).

Theme 1.3: Preliminary strategic choices for the technical programme

68. Chapter 3 provides the analysis behind the 19 IEE recommendations on programme direction and resource allocation, given FAO's critical financial situation. These will not be static and the Organization needs greater capacity to respond flexibly. The analysis and priorities recommended by the IEE are intended to meet the urgent need for choices in place of the 'salami slicing' approach of the past. They should also serve as an important input to the wider and deeper process of developing the overall corporate Strategic Framework (above) and help to pave the way for it (Recommendations 3.5 to 3.23 concerning individual and interdisciplinary technical areas).

69. The objective of the Organization is to ensure that in its areas of mandate, countries at all levels of development, particularly the poorest, have access to the knowledge, public goods and services they need. It is not that the Organization should necessarily do this itself, although there will be areas in which this is the most effective formula. FAO has comparative strength and meets a priority need in assisting policy development, facilitating capacity building and support to development of global policy coherence and appropriate legislation. In addition:

- a) FAO should build on its potential strengths as an integrated interdisciplinary knowledge organization with global convening power and a reputation for neutrality;

- b) the Organization needs to shift its emphasis in agricultural production, food security and in rural and agriculturally based development to facilitating the production environment, opportunity for value added and employment for income generation and food access;
- c) areas of comparative priority (see Figure 1.4 above) include the provision of basic global natural resource data and statistics, forestry, fisheries, livestock (including epidemic diseases), environment and natural resources (including land and soils), work in emergencies, economic, social and food and nutrition policy and the work in food safety (including Codex) and support of global conventions (including plant protection, pesticides, genetic resources and fisheries). In all these contexts, advocacy, policy support and capacity building receive emphasis;
- d) the transfer of production and processing technology was the area of work in which countries were found to be strongest in their own technical capacities and FAO was found to have most competitors and thus low comparative advantage;
- e) areas identified where there are gaps in the global architecture but to which countries were not necessarily addressing high priority and where FAO would have difficulty in re-establishing significant capacity without major additional resources, include in particular institutional strengthening for farmer learning, agricultural education and research; and
- f) a more holistic approach must be developed for food and nutrition policy and institutional development.

70. Action timetable: Early agreement on overall programme priorities is important to prepare the Medium-Term Plan and Strategic Framework and decisions on this need to be endorsed at the proposed special session of the Conference in 2008.

Theme 1.4: Specific external partnerships

71. In this theme, there are six recommendations on the development of partnerships with specific institutions or categories, such as the Rome-based agencies and the CGIAR (Recommendations 3.11B, 5.3, 5.4, 5.6 and 5.7). It is agreed that partnerships often have medium to high transaction costs and are not ends in themselves. They must produce a more effective benefit to Members, building on respective comparative advantages.

72. Action timetable: Building partnerships is not a short-term process, but this is an area that must not be allowed to lose impetus. It will be a process that should begin immediately with clear progress within four years. Most of the deliverables are categorized accordingly.

Theme 1.5: Technical cooperation at country and regional level

73. Recommendations are made on how FAO's Technical Cooperation Programme should be re-oriented (Recommendations 3.2 and 7.8) to ensure that: it is focused on the five or six priority themes defined in the new corporate Strategic Framework; that it makes maximum use of FAO's comparative advantages (described above); and links as far as possible normative work at global level and technical cooperation work at regional and country level, seeking constant two-way feedback between the two, building on priority needs expressed at country and regional levels, especially those that concern cross-border issues and require interdisciplinary solutions.

74. Action timetable: Some of the deliverables should be achievable in a short time frame, such as the decision to stabilize funding levels. Others are medium-term, such as the integration of National Medium-Term Priority Frameworks into action on "Delivering as One UN" but there should be clear progress within four years.

Cluster II Investing in governance

Theme 2.1: Conducting governance reform

75. The challenge for FAO is to build a new consensus for high-performance governance with:

- trust and mutual respect;
- responsibility and accountability;
- transparency; and
- shared ownership across all the membership.

76. A higher degree of trust and mutual respect between Members is both a prerequisite for agreement on change and will result from implementation of the package of recommendations made by the IEE, including specific practical confidence-building measures. The IEE's first recommendations in this cluster

therefore concern the process of conducting governance reform (Recommendation 4.1). These cover the essential first steps of enhancing the role in managing and leading the Governing Body processes of the Independent Chair of the Council (Recommendation 4.1B), establishing a Working Group and a Friends of the Chair or Council/Conference Committee to develop and obtain cross-membership support for the Immediate Action Plan and implementation of many of the recommended changes to the architecture on an interim basis, if necessary, pending formal changes to the Basic Texts (Recommendations 4.1A and 4.10). They also cover review of progress in the longer term (Recommendation 4.1B), based on a recommended medium-term performance contract for governance itself (Recommendation 4.14). This would serve as a crucial measure for re-building confidence in the Organization and place FAO at the forefront of governance reform in the UN system.

77. The goal of the recommended reforms is to enable the Governing Bodies to renew and take up their dual role to full effect. The first element of this role is as a convenor and forum for tackling issues of global governance within FAO's mandate, thereby increasing the effectiveness of FAO's work in ensuring global policy coherence (see Theme 2.2 below). The second element of the Governing Body's role is in providing well-functioning governance to the Secretariat (see Theme 2.3 - Fiduciary and Oversight Role below).

78. Action timetable: Many governance reform decisions should be taken quite quickly, with formal revisions of the Basic Texts, where necessary, taking a longer period. Short-term decisions, include those on the role of the Regional Conferences, the functional division of work between the Council and Conference with respect to global and internal governance, the role of the technical committees of the Council, a secretariat to directly service the Governing Bodies, etc.

Theme 2.2: Global governance role

79. In global governance for food and agriculture, FAO's strategic objective must be to rebuild an authoritative and effective voice at intergovernmental level on behalf of rural people, the hungry and all those who can benefit from agriculture playing its proper role in the economy. The IEE recommends development of a rolling strategic plan for tackling global governance issues, based on a review of the global food and agriculture situation and the state of the world's legislation on it (Recommendation 4.4). Specific recommendations are made on practical ways to identify key issues using new and existing FAO instruments and partnerships (Recommendations 4.12 and 4.19) and reviewing global legislation relevant to its mandate and constituency that is

being drafted under the auspices of other organizations (Recommendation 4.5). This would be a pioneering example of flexibility, of responsiveness and of creating coherence between multilateral organizations on issues that go beyond the mandate of any single part of the UN system. The IEE also recommends modification to the Organization's Basic Texts to enable greater flexibility and autonomy in the funding and management of international treaties and agreements, negotiated within the FAO framework (Recommendation 4.6).

80. Action timetable: The first review and strategic plan should be completed by 2010.

Theme 2.3: Fiduciary role and oversight

81. On the second role - that of internal governance of the work of the Organization, the IEE defines in detail the recommended respective roles and functions of the Governing Bodies and management to enable governance to give proper direction to the Organization without interfering in the preserve of management (Recommendation 4.3).

82. It goes on to recommend measures to professionalize the procedures for election of the Director-General (Recommendation 4.20), ensure the adequacy and independence of internal and external audit respectively (Recommendation 7.9) and increase the independence of evaluation, continuing the line already set by the Governing Bodies in 2003 (Recommendations 7.10 and 7.11). Finally, on this theme, the IEE recommends moving the date of Conference to May or June and establishing overall direction and indicative budgets in order to enable significant improvements to the effectiveness and efficiency of FAO's programme cycle (Recommendation 7.3).

83. Action timetable: Several of the deliverables, including those relating to audit and evaluation, can and should be implemented with immediate effect. The remainder should be implemented by decision of the special session of Conference in 2008.

Theme 2.4: Governance architecture

84. The IEE makes detailed recommendations on streamlining and strengthening the governance architecture in the first phase of governance reform to enable the Governing Bodies to perform the dual roles described above. These give stronger focus and unity of purpose to the roles of technical committees, the Regional and Ministerial Conferences and Council. They would focus on substance and feed into

Conference to strengthen the global governance role (Recommendations 4.7 and 4.11 to 4.13).

85. Secondly, the Council and its Independent Chair should take on an enhanced role in FAO internal governance for the Governing Bodies (Recommendations 4.8 and 4.10A), underpinned by the clear definition of the separate and distinct roles of governance and management (above). The role of the Council should be supported by the Programme and Finance Committees with strengthened competencies and more frequent but shorter meetings (Recommendation 4.9). A secretariat to directly support the Governing Bodies would be required (Recommendation 4.10B). They include measures on regional groupings and the ways agendas are set.

86. Action timetable: Decision on these recommendations and their implementation should be possible at the latest by the regular session of the Conference in 2009. The secretariat support is important for immediate implementation in order to support the Governing Bodies in the development of the Immediate Action Plan.

Theme 2.5: Governance proceedings

87. The IEE also makes targeted recommendations on governance proceedings – the way governance works (Recommendations 4.2 and 4.14 to 4.17 inclusive) – aimed at raising the standards to those of internationally accepted best practices to improve the productivity, efficiency and decision-making capability of Governing Bodies (Recommendation 4.18).

88. Action timetable: Most of the issues could be decided at the regular session of the Conference in 2009.

Theme 2.6: Finance

89. Finally, the IEE endorses the Organization's policy and practice to address liquidity shortfalls and recommends specific measures and incentives to deal with late payments and arrears (Recommendation 8.16).

90. Action timetable: On deliverables not requiring changes to the Basic Texts, decision and implementation should be immediate; on deliverables requiring changes to the Basic Texts, action should occur by the regular session of the Conference in 2009.

Cluster III Institutional culture change and reform of administrative and management systems

Theme 3.1: Overarching review of management and administration

91. The IEE recommends a programme aimed at major changes to the administrative systems and institutional culture of FAO. This would include a comprehensive root-and-branch review of FAO's human and financial resources management and administration (Recommendation 8.1). This should be facilitated by an external agency specialized in institutional analysis and organizational cultural change, reporting to the Deputy Director-General or the 'new' office of strategy, resources and planning. The process should be fully consultative and build ownership throughout. The core goals of this review should be to:

- a) consolidate and integrate the core administrative functions within a single policy perspective (in accordance with the intentions of the Director-General's earlier reform proposals);
- b) modernize human resources management and administration, putting people at the centre as the most important capital held by FAO;
- c) streamline and simplify rules and procedures;
- d) shift from *ex ante* to *ex post* controls;
- e) delegate authority in line with the principle of subsidiarity;
- f) establish incentives for high staff performance;
- g) establish a time-bound target for substantial quantified administrative efficiency and productivity gains of up to 20 percent over the next two biennia; and
- h) shift attitudes to a client focus, where the staff and management are the client.

92. Action timetable: The IEE recognizes that this review will probably take some 2-3 years time to complete. Therefore, the following themes especially highlight areas where progress can already be made while the review is being undertaken.

Theme 3.2: Human resources framework

93. The comprehensive root-and-branch review (above) would include development of a single coherent human resources policy framework, aligning recruitment, staff development and promotion criteria and, where competency profiles allow, including a policy of rotation of technical staff as a means of assuring linkages between field and headquarters and to catalyse development of vital staff competencies (Recommendation 8.2) and the increased use of drawdown contracts (Recommendation 8.3). It should also include a proposal for a system of staff incentives along the lines of the illustrative example offered by the IEE (Recommendation 8.7, Box 8.4).

94. Action timetable: While the review is being undertaken, the IEE recommends certain immediate actions to pave the way for a more coherent human resources policy framework. These include specific recommendations to make contracting human resources simpler, more flexible and market-oriented (Recommendation 8.3), such as: use of call-down contracts; providing managers with financial resources that they can use flexibly; simplifying pay bands; and making use of retirees more competitive.

95. Recommendations for implementation within one year also cover setting targets and clear responsibilities for achieving geographic balance by regions and gender balance (Recommendation 8.5) and full and immediate introduction of the planned performance appraisal system (Recommendation 8.6) and other incentives for high performance (Recommendation 8.7). Finally, the IEE recommends an increase and re-orientation of training resources so that these focus on and support the other changes and thereby contribute to the overall culture change (Recommendations 7.5 and 8.8). This entails a shift from training in language and basic office skills to the use and development of Results-Based Management, technical support activities (including gender analysis), and especially management training.

Theme 3.3: Support to changes in structure

96. Closely related to the human resources framework, the IEE makes four recommendations that provide essential support to the changes in structure recommended in the fourth cluster. These concern delegations of authority and responsibility generally (Recommendations 6.17 and 6.18) and specifically for human resources (Recommendation 8.4) and certain financial resources and incentives (Recommendation 6.16). 97. Action timetable: These recommendations are for

immediate implementation in line with the changes to structure (see following cluster). If the two are not aligned, neither will be effective.

Theme 3.4: Administrative efficiency (interim)

98. Again, while the comprehensive review is being undertaken, the IEE also recommends some interim changes to administration. These comprise immediate “quick wins” and actions to be completed within one year that would begin the process of culture change, pending deeper revisions to procedures recommended by the comprehensive review. All are within the criteria for the comprehensive review shown above. They cover improving administrative and decisionmaking processes according to the principle of subsidiarity, outposting one administrative officer to each department (Recommendation 8.9). They also cover extra-budgetary support costs (Recommendation 7.7) and immediate actions to simplify certain aspects of procurement and related services, including standardizing procedures for working with partners (Letters of Agreement and Memoranda of Understanding), delegation of authority to approve travel to division directors, and to FAORs for travel and working with partners (Recommendation 8.10). They cover recommendations for advancing collaboration with Rome-based UN agencies, aimed at efficiency and cost savings (Recommendation 8.19) and rationalization of units like the Commissary and the Credit Union (Recommendation 8.20).

99. Action timetable: These actions fall into the category of “quick wins”. Some could be accomplished before the meeting of Conference in 2007 and all could be completed within a few months.

Theme 3.5: Finance

100. The IEE makes five specific recommendations on weak areas of financial management that need addressing in time for the proposed special session of Conference in 2008. These cover the need to develop an institutional strategy for financial risk management (Recommendation 8.15), better integration of the IT supporting packages for financial and programme support (Recommendation 8.13), and introducing the possibility of rolling over a small proportion of working funds from one biennium to the next (Recommendation 8.17). In the longer term, the IEE makes recommendations to deal with specific threats and opportunities presented by the transition to IPSAS (Recommendations 8.14 and 8.18).

101. Action timetable: Decisions in a few areas such as on roll over of funds could be taken as early as the proposed special session of the Conference in 2008. Work in other areas is expected to be completed in two-three years.

Theme 3.6: Information technology

102. The IEE recommends immediate action to manage IT risks, covering an assessment of risk in Country Offices and Liaison Offices, greater attention to current key weaknesses and establishment of procedures for new applications (all specified in Recommendation 8.12).

103. All of the above measures (from Strategic Vision through Governance and the Organizational Systems) and the changes to structure proposed in this cluster will contribute fundamentally to a re-orientation of FAO's culture to one of high performance. Changing any one component alone will not be sufficient: a new vision for FAO will not be successfully implemented if the structures and systems are not transformed to enable it. Changing the structure will not succeed in increasing interdisciplinarity and flexibility if the people working in those structures are not given the right administrative and management support to make use of new structural opportunities. The organizational culture will only change as the interplay between the strategy, systems and structure transforms.

104. Nevertheless, there are some immediate and direct measures on organizational change that can and must be taken to complement the changes to strategy, systems and structures. As with all programmes of organizational culture change, strong commitment and leadership from the top (both top management and the Governing Bodies) are essential (Recommendation 6.1). At the same time, the process itself cannot be top-down and must be genuinely consultative, modelling the 'new' culture. To achieve this, the IEE recommends the establishment of a special Steering/Working Group to lead development of an overall programme of culture change and oversee its implementation. Its members should be from different levels of the Organization and its work serviced by a specially assigned member of staff, advised and accompanied by external consultant specialists (Recommendation 6.2).

105. In addition, the IEE recommends creating a map of knowledge within the Organization (Recommendation 6.3) and accelerated development of a leadership cadre, who consistently model good management practice (Recommendation 6.5). To contribute to achieving this, management training should be extended. 106. Finally, the IEE recommends that the Director-General signal his readiness to lead and

engage in change by taking immediate actions that present a more open and accessible image (Recommendation 6.4).

Cluster IV Restructuring for effectiveness and efficiency in both headquarters and the field

107. An overhaul and renewal of the FAO structure are also needed in order to build an organizational form that fits the vision, functions and culture envisioned above. The overall goals must be to embed the principle of subsidiarity in order to increase client focus, enable flexible and agile response and facilitate rapid horizontal and, above all, vertical two-way flows of information and knowledge. This requires changes in the institutional structure, business model and decisionmaking processes of FAO in order to re-position the Organization and provide it with efficient and effective links to countries and regions (Recommendation 6.19). The overall aim is to shift organizational emphasis and resources strongly towards delivery against agreed goals.

108. The IEE makes recommendations on fundamental changes to headquarters and field structures. It strongly endorses the principle of decentralization, but also recommends that no further net transfer of resources from headquarters to the field be made until resource adequacy has been assured (Recommendation 6.19).

Theme 4.1: Headquarters

109. Three Deputy Directors-General are suggested. The designation of two additional Deputy Directors-General (DDGs) will allow for major rationalization and consolidation of divisions and units with significant cost savings through elimination of two departments and a significant reduction in divisions and services (all in Recommendation 6.6). As is common in many large organizations, including the United Nations secretariat, it would also enable the Director-General to maintain overall managerial responsibility and direction while focusing outwards – defining and adapting strategy to meet the changing external environment, building and strengthening the political base of support for the Organization, ensuring strong and durable external relations and ensuring the Organization maintains the resource base it needs to meet its objectives. The three deputies to the Director-General would be structured as follows:

- a) one DDG would hold the title of Chief Operating Officer and be *primus inter pares*. This DDG would deputize for the Director-General in his/her absence. The Chief Operating Officer's main task would be to support the Director-General in ensuring effective and efficient day-to-day operations;
- b) DDG-Regional and Country Operations and Coordination of Decentralized Offices will help to counterbalance the tendency towards a headquarters-centric culture and will:
 - i) give ADG/Regional Representatives and, where necessary, the FAO Representatives a senior champion within FAO headquarters;
 - ii) bring together all work for technical cooperation with responsibility for the decentralized offices; and
 - iii) provide a central point at the most senior level for the major priority of capacity building in member countries.
- c) DDG-Technical Work (Knowledge Manager) will:
 - i) drive FAO's focus on the three interlinked goals of member countries, as specified in the 1999 Strategic Framework, holding some five percent of funding to promote cross-disciplinary work;
 - ii) provide a central focus of leadership in integrating the technical knowledge function of the Organization (as discussed in Chapters 3 and 7) which is currently divided and fails to draw adequately on the Organization's comparative strengths to address the needs of field work and normative priorities;
 - iii) ensure weaknesses or gaps at management level in technical departments are adequately addressed; and
 - iv) manage major cross-cutting issues, in particular knowledge management and support of the technical departments in capacity building.

110. The IEE also recommends creating in the Office of the Director-General and reporting directly to him two new offices headed by Assistant Directors-General (Recommendation 6.7):

- a) an Office of Strategy, Resources and Planning (also Recommendation 7.4): Building from the current base of the office responsible for programme and budget (PBE), this office would bring, into one integrated system, the functions of (i) strategy development; (ii) programme planning; and (iii) resource mobilization. This would facilitate 'means to ends' thinking and the corporate strategic action required to mobilize the means.

The Field Programme Development Service, currently in TCA, would migrate to this office as would certain of the functions currently carried out by the Department of Human, Financial and Physical Resources for overall resources management; and

- b) an Office of Corporate Communications, Intergovernmental and Interagency Affairs/Relations: The mandate of the current Office of UN Coordination and MDG Follow-up includes intergovernmental and interagency relations as well as large elements of corporate communications. Related matters of intergovernmental affairs are handled by the Conference and Council Affairs Division. There are major opportunities for synergies and cost-efficiency gains by bringing the functions together. This should also establish an enhanced base for the transmission of FAO's messages by the Director-General to the larger international community. In addition, it should facilitate corporate resource mobilization on an integrated and strategic basis through its close connection to the Office of Strategy Resources and Planning. This office would include the functions now conducted by protocol affairs and the corporate strategy components of communications now in the Communications Division (KCI), including the International Alliance against Hunger. Routine technical and administrative aspects of communications, printing, visa, tax exemptions etc, would migrate to the Corporate Support Services Department.

111. This new structure would provide FAO with a lean and well-equipped senior management team, able to focus on the corporate agenda and able to collectively support the Director-General in making decisions. Efficiency gains should result throughout the Organization. Lines of responsibility and accountability would be clearly delineated and current ambiguities on these matters removed. The Director-General's span of direct control of seven to eight would become manageable. At the same time, the Director-General would utilize larger managerial meetings and fora, including fora linking in the decentralized offices, to communicate with managers at large.

112. At the technical departmental and divisional levels, the IEE recommends considerable delayering and combinations of units (Recommendation 6.8) and application of dual grading and ceilings on the number of division heads (Recommendation 6.15). Four technical departments are recommended, with the possibility of a fifth. The four departments would be: i) Agriculture; ii) Economic and

Social Development; iii) Fisheries and Aquaculture; and iv) Forestry (Recommendations 6.8 to 6.11). The potential fifth department would be Livestock and Animal Health, given its growing importance and the clear comparative advantage of FAO in this area (Recommendation 6.12). An Office of Knowledge Communication would also report to the DDG responsible for Technical Work (Recommendation 6.8). The number of technical divisions would be reduced from 29 to 13.

113. In addition, the IEE recommends the consolidation of all corporate support services into a single department, the Corporate Support Services Department (Recommendation 6.14), comprised of four divisions (Finance Division, Administrative Services Division, Information and Communication Technology Division and Human Resources Division) and three units (Security Services, Medical Services and the Outposted Support Services Centre in Budapest) to enhance policy support and client service capacities and to achieve greater economies of scale.

114. The IEE has concluded that these changes in headquarters structure would:

- a) establish a leaner and more empowered top management team and greatly strengthen interdisciplinarity as FAO's comparative advantage;
- b) strengthen knowledge management as the core function of FAO;
- c) consolidate technical units with fewer layers, reducing the number of technical divisions, enhancing interdisciplinarity and yielding major efficiency gains;
- d) enhance FAO's strategic, planning and programming capabilities;
- e) improve the management of human and financial resources;
- f) improve client services by consolidating IT functions and establishing functional sub-units, responsible for providing an integrated service for defined user groups (Recommendation 8.11);
- g) enhance the potential for the close working relationships that need to be established between the main technical divisions, operating databases and the new Office of Knowledge Communication (Recommendation 6.8); and
- h) generate very substantial recurrent cost savings. These have been preliminarily estimated at not less than US\$29.1 million and possibly up to US\$30.7 million (excluding recurring administrative savings). A one-time

cost, relating mainly to voluntary terminations, is estimated at US\$50-55 million.

115. Action timetable: Careful and detailed planning would be required and a schedule of sequenced changes established. Implementation could begin following the special session of the Conference in 2008 with completion targeted by the end of 2009.

Theme 4.2: Field structure

116. The IEE recommends restoration of the balance in resources and roles between headquarters and the field (Recommendation 6.19). In the field, the IEE envisions a clear, substantive role for Regional Offices, focused on policy and analysis (Recommendation 6.20). Amongst other measures, Regional Offices would assume first line responsibility and accountability for the development of strategies and programmes across their region as well as strategies for funding them (Recommendation 6.20). Regional Offices will have greater autonomy, decision-making powers and human and financial resources to fulfil this enlarged role, including responsibility for Regional and Country Office staff, and they would be accountable to top management for their performance.

117. In line with the recent reforms approved by the Governing Bodies, Subregional Offices would become the technical support arm of FAO in the respective regions (Recommendation 6.21) and report to their respective Regional Offices.

118. Entirely new foundations need to be established for the presence, structure, functions and staffing of Country Offices, including cost-efficiency norms and benchmarks (Recommendation 6.22). Criteria are offered to determine whether or not to establish a Country Office (Recommendation 6.22) and when offices should be modified or closed.

4 THE WAY FORWARD: CONCLUSIONS

119. If an Immediate Action Plan is formulated along the lines of the four clusters outlined above and if the further steps suggested and the recommendations made in this report are achieved, the IEE is convinced that the challenge issued to it - to facilitate an FAO truly "fit for this century" - will have been met. Indeed, if this is

achieved, the IEE is also convinced that FAO would have set the new standard of excellence for multilateral organizations.

120. This said, the IEE is well aware of the mammoth nature of the undertaking it is recommending and of the many pitfalls and obstacles that stand in the way. It is also aware that most organizational change programmes fail. Indeed, most are quietly and unceremoniously abandoned soon after they are announced. It would appear that the reason for this is often found in the mismatch between available resources and over-ambitious goals. Also, in many cases, the processes followed are top-down, resulting in low ownership and consequent weakness in implementation.

121. Many failures, however, appear to be more attributable to the absence of implementation strategies – a failure to work through their detailed requirements. In a very real sense, the development of an implementation strategy is far more important and far more challenging than the preparation of the strategy itself. Implementation needs to contend with the unavoidable fact that there is always opposition to major changes. Some opposition is from groups who have vested interests, including those holding power and authority that would be affected by changes. Other opposition derives from traditions and even deep belief systems that would be shifted through major reforms. Finally, we know that opposition is very often due to misunderstandings as to what is intended and why.

122. The key to the transformation required for a strong and relevant FAO involves a highly complex process of political economy and of political accountability, and such a process can only be successful if it includes significant efforts to explain, communicate, disseminate, consult, persuade, build trust and achieve consensus.

123. Reduced to basics, the IEE was charged to come up with answers to three questions:

a) does the world need FAO? Answer:

Yes, without doubt. FAO is much diminished from what it once was, but it continues to fulfil roles and furnish a range of essential goods and services that no other organization does or can. Moreover, there are continuously emerging challenges that only a global organization with the mandate and experience of FAO can address with legitimacy and authority;

b) does FAO need to change to be fit for its purposes and challenges in the 21st century?

Answer: Yes, if FAO does not make major changes, its current trajectory will lead to terminal decline, although it is unlikely that FAO would close down completely. In 60 years of multilateralism, there has been no major exit or even significant consolidation of institutions, although many continue to exist by structural and political inertia alone, long after they have ceased to offer anything of significant value to international development. FAO needs to avoid this and can do so, but only if major changes are made and a new political compact achieved; and

c) what needs to be done? Answer: A great deal. The IEE has provided more than 100 main recommendations with 313 suggested actionable outputs and suggested an Immediate Action Plan (IAP). Chapters 2 through 8 of this report offer further and detailed guidance for the IAP.

124. In the view of the IEE, two basic and critical questions remain:

- a) does the membership of FAO truly wish to build and invest in FAO to make it a global organization that can meet 21st century needs? and
- b) if the answer to the above question is affirmative, will/can the membership forge the collective political action required to make this happen?

It is for the FAO membership to answer these questions but the IEE sincerely hopes that the answer to both will prove to be yes.

5 OVERVIEW OF THE STRUCTURE OF THE REPORT AND ITS FINDINGS AND RECOMMENDATIONS

Chapter 2 Background and context

125. Chapter 2 reviews the background that led to the commissioning of this evaluation, together with its terms of reference and a description of the magnitude of the challenge. It also offers three snapshots of FAO as an analytical framework against which to view FAO's six decade trajectory:

- a) 1945-1970 – the period when FAO was the pre-eminent agricultural organization, enjoying rapid growth in resources and influence and when there were no serious competitors to the roles it played;

- b) 1970-1980 – the beginning of turbulence as new actors emerged and the dominance of FAO's roles began to be challenged. Development financing for agriculture, however, continued to expand, as did FAO; and
- c) c) 1980-2007 – over the past quarter century, FAO has been challenged on all fronts. Most of the chapter is concerned with analysing the principal factors and forces (strategic, programmatic, financial and political) making up that challenge, as these have shaped the context for the evaluation.

126. Taken together, these three snapshots demonstrate that FAO has been challenged over this period to respond to ever increasing changes in the context within which it works and to an array of new demands. FAO's original purpose was defined in simple and straightforward terms. It was essentially to work with governments to increase global food production. At the time, FAO was not only the lead organization; it was, for all practical purposes, *sui generis* - the only organization of its kind.

127. Over the ensuing decades, FAO's terrain expanded to include concerns about international codes and standards, intellectual property, poverty, gender equity and rural development, and a range of issues related to the environment - including conservation and the sustainability of a variety of natural resources. Moreover, the virtual explosion of international agencies concerned with agriculture means that FAO now operates in a very crowded field. Agricultural research as an international public good now resides unquestionably with the CGIAR; the number, size and impact of NGOs working in agriculture, food security and environment have expanded exponentially; and the private sector has become a major driver of change in the global food and agricultural system. Focus has shifted away from production and the central role of the state in situations of market failure – a phenomenon pervasive at early stages of development – to concerns about governance, human health, globalization, trade, human and animal rights, participatory processes and, perhaps above all, climate change. The context in which FAO finds itself today is one of vastly increased complexity and uncertainty.

128. These changes confront FAO with a range of new challenges. It now must address the global issues of food and agriculture while at the same time helping to build national capacity. FAO is expected to exercise regional and global leadership through unifying international development efforts, while at the same time taking into full account the multitude of differing, if not conflicting, interests, viewpoints, and priorities of its constituents. It is expected to seek out and function effectively in partnership with governments, decentralized authorities, the private sector, bilateral

and other multilateral agencies and NGOs, and to show effectiveness at grassroots, national and international levels. Then, it is instructed to meet these challenges within a steadily decreasing budget.

129. The context is radically different but, tragically, many of the basic challenges to FAO have not changed. Extreme poverty remains the daily reality for more than one billion people. Hunger and malnutrition affect over 800 million people, and more than a quarter of all children under the age of five in developing countries are malnourished. Poverty in poor countries is still largely a rural issue - 75 percent of the poor live in rural areas where most are dependent in some way on agriculture. Of these, women remain among the most active producers of food for household consumption, while also being the most vulnerable and marginalized. Even in relatively poor countries that have achieved rapid economic growth and reduced poverty, the rural areas continue to be zones of relative stagnation and severe deprivation. Globalization and liberalization of local and regional markets have resulted in new market opportunities for some, but have led to new threats and uncertainties for others, particularly poor people in poor countries. In parts of sub-Saharan Africa and elsewhere, HIV/AIDS, malaria and tuberculosis are destroying rural communities and undermining local economies. The effects of climate change are already most evident in their effects on the livelihoods of the world's poorest and most vulnerable.

130. Taken together, these factors underscore the need for a global organization to provide an authoritative, objective, respected and politically neutral international platform where these central issues can be examined and decisions taken for collective action. They also underscore the need for targeted technical cooperation to strengthen the capacities of member countries, develop policies and overcome the pernicious consequences of emergencies. In this regard, no other global organization matches FAO's comprehensive mandate for food, agriculture, forestry and fisheries, including the production and provisioning of such a broad range of global goods and services.

131. Faced with this, however, FAO is today adrift, its efforts fragmented by its focus on small components of its vast challenge rather than on the full picture. There is no consensus on broad strategy that delineates how FAO is to respond, on what is high priority and what is not, on which functions to retain and which to shed, on resource needs and how these are to be provided. This undermines confidence in the Organization and contributes to the continuing reduction in its financial resources. The capacity of FAO is declining and many of its core competencies are now imperilled. It has been placed on a form of institutional "life support" - keeping it

alive, but unable or unwilling to reinvigorate the Organization overall. If FAO's current trajectory continues, it will be unable to meet the challenges of the new context, fulfil the expectations of its Members, exploit its comparative advantages or preserve its core competencies. Given these realities, what can and should be done? How can FAO best respond?

132. This is the context in which the independent evaluation was conducted and these are the questions and challenges presented to it.

Chapter 3 Relevance and effectiveness of FAO's technical work for the 21st century

133. This chapter analyses the technical work of FAO, defined as including various forms of all technical cooperation activities and the work of the technical divisions in headquarters and the decentralized offices. The assessment examines the priorities established by FAO Members for different types of technical work, the technical programmes themselves, and the quantity, distribution and reallocation of resources made available for them over the evaluation period.

134. The analysis of FAO's technical work produces a very mixed and complex picture. On the one hand, FAO provides an exceptionally broad range of relevant, valued and effective products and services for which, in many cases, it remains either the sole supplier or the only authoritative supplier. It follows from this that: "If FAO did not exist, it would need to be invented". On the other hand, it also continues to provide products and services which no longer accord with its comparative advantage, with the new global opportunities and threats or with the realities of its current and prospective resources. A continuous and serious erosion of the Organization's overall core competencies and delivery capabilities has resulted from a deadly combination of the steady decline in financial resources and the sequential short-term responses to it.

135. The causes of the steep drop in financial resources are complex but include at least the following:

- a) the zero budget growth philosophy for the UN system of several OECD countries;
- b) the declining importance given, through most of the 1990s and until recently, to agriculture and rural development and the rise of competitors; and

- c) the negative image of FAO in many powerful quarters, much of which is undeserved, but which correctly includes the view that the Organization:
 - i) has inefficient highly centralized and bureaucratic procedures;
 - ii) has been unable to establish clear priorities; and
 - iii) does not adjust to adequately changing needs which risks keeping it and is a step behind advances in development thinking, including working to too great an extent on small-scale projects for production technology transfer with limited impact and little demonstrable comparative advantage.

136. The analysis of Chapter 3 underscores that FAO has provided a point of stability in development priorities, while development paradigms on the importance of national food production, the role of agriculture and the rural sector have swung from one quick fix solution to the next. With each change, development thinking and knowledge has moved forward but at the cost of damaging swings of the pendulum. Within these changes, FAO has continued to stress important development issues and gradually adopt what is good from the new. There have been areas where it has exerted intellectual leadership, such as Integrated Pest Management (IPM), sustainable fisheries, sustainable plant genetic resources management and the emphasis on the small farmer as the decision-maker which is integral to the Farmers' Field School concept. It has, however, been a conservative organization, slow to recognize what is good and distinguish it from what has gone too far, as for example, with public sector reform or sustainable livelihoods.

137. Nevertheless, the Organization has got some big priorities basically right, pushing against the prevailing tide of development thinking - but it often then got the implementation modalities wrong. Examples of this extend from the importance of water and its sustainable management for increased productivity in Africa to income diversification for the rural poor. Underlying many of these failures of modality have been an excessive emphasis on the role of the state as the executor of development, on forming groups and community-based organizations of producers which fail to achieve sustainable organizational business objectives and, at best, an ambivalent attitude to the role of private entrepreneurs. A culture shift is now required in the prevailing FAO paradigm for fighting hunger and for economic development, with far more strategic focus and attention on the international political economy.

138. As noted in the headline messages above, Chapter 3 brings out FAO's strength as a knowledge organization. It points to the dangers of viewing knowledge

management as a separate function. It highlights the integral roles of advocacy, policy support and capacity building, while also emphasizing that FAO must become as much a facilitator as a doer.

139. It also presents evidence that FAO is neither maximizing its comparative strengths for technical cooperation nor meeting adequately the priority needs of its Members. The decline in the Regular Budget is, of course, a major contributing factor. However, FAO has also suffered from the absence of a coherent resource mobilization strategy derived from a rigorous assessment of its comparative advantage compounded by a lack of agreed priorities based on needs and opportunities (including the incidence of hunger and poverty) which has resulted in “salami slicing” non-strategic programme reductions over successive biennia. The IEE found that for the portion of the budget over which it has full control (i.e. the Regular Programme), the Organization had made some adjustments in the proportion of resources going to different areas of work. These shifts, however, do not give convincing evidence of being clear-cut decisions and have never been radical. Also, FAO’s greatest challenge is in bringing integrated answers to interdisciplinary problems of food and agriculture. This has been recognized since the Strategic Framework was adopted in 1999, and various modalities have since been implemented with limited success, but as FAO is not a well joined-up organization, its shrinking budgets have tended to reinforce the silos rather than break them down. More radical measures are clearly required.

140. Other factors that have pervasive and damaging impact on FAO technical performance include:

- a) the consistent difficulty of the Governing Bodies in setting priorities and providing oversight on extra-budgetary funding;
- b) a headquarters-centric culture and structure which limits the actual and potential contribution of decentralized offices and staff;
- c) the disconnected field structures between Country Representatives, Subregional Offices and Regional Offices, including that although some changes are being introduced, the balance of responsibility for the supervision and management of technical specialists in Regional Offices remains largely with the headquarters departments and not the Regional Representative;
- d) the “silos” that also exist within headquarters and between headquarters and the decentralized operations of FAO;

- e) despite some recent effort through National Medium-Term Priority Frameworks, a lack of strategy and priorities at the country level;
- f) severe constraints on reducing and adjusting staffing in line with changing resource availability and priorities; and
- g) an absence of funding for one-off costs of adjustments.

141. Moreover, within FAO there is little systemic learning from technical cooperation. The 2005 independent review of TCP recommended that it be restructured around clear allocation criteria, including country or regional strategies, but this recommendation has only been partially implemented. The difficulties of FAO's situation are further compounded by policy inconsistency on the part of many of FAO's principal contributors who argue that the highest strategic priority for Regular Programme resources should be assigned to strictly normative work. In reality, however, many among them earmark the great majority of extra-budgetary funds to country-level technical assistance activities that may bear limited relationship to their stated global concerns. This frustrates attempts by FAO management to design a coherent strategy.

142. The analysis in Chapter 3 makes clear that FAO is making its most unique contribution to developing countries in those areas where its normative strengths can be drawn together with country needs in policy work and capacity building. Direct support to production technology transfer and piloting no longer emerge as areas of FAO comparative advantage and evidence of widespread sustained impact was only evident in the case of IPM and Farmers' Field Schools. The IEE does not believe that the Organization can mobilize the resources to repeat such successes in the future. Although appreciated by some countries, the Special Programme on Food Security, the single flagship technical cooperation programme, does not build well on FAO's global strengths. After over twelve years of operations, only a limited number of investments have moved beyond the pilot stage and the emphasis continues to be on technology transfer for production, often with unsustainable subsidies and to the neglect of the production and business enabling environment.

143. The closing section of Chapter 3 addresses 24 main recommendations to FAO's technical programmes, with 75 actionable subcomponents. These stress that FAO needs to act as a facilitator as well as undertaking programmes itself and define areas of priority, as well as areas where FAO no longer has a comparative strength. Areas of comparative priority include the provision of basic global data and statistics, forestry, fisheries, livestock, environment and natural resources (including land and

soils), work in emergencies and rehabilitation, economic, social and food and nutrition policy and the work in support of global conventions and food safety, including Codex. In all these contexts, advocacy, policy support and capacity building receive emphasis.

Chapter 4 Governance

144. Chapter 4 reviews the functioning and effectiveness of FAO governance structures and analyses the three principal components of governance responsibility, namely the:

- a) global governance of world agriculture and the strategic role FAO plays in it. With greater globalization, there is an increasing demand for policy frameworks which transcend national borders and are underpinned by international agreements. A growing number of complex issues with a strong impact on food and agriculture have been, or are becoming, the subject of global governance. These include, for example, environmental concerns, climate change, trade liberalization, agricultural subsidies, poverty eradication, natural resource management, biodiversity, genetic resources, toxic chemicals such as persistent organic pollutants, wetland conservation, desertification and trade in wildlife products;
- b) internal governance of FAO - its institutional structure, its functions and processes, including its role in determining strategy and policy and the relationship between governance and management; and
- c) overall UN context of governance, with the political agenda often moving away from the specialized agencies to the UN in New York and a growing role for the UN Secretary-General as *primus inter pares* among executive heads of the system and increasing pressure for coherence.

145. Concerning FAO's role in global governance on food and agriculture issues, some significant contributions continue to be made and are reported in Chapter 4. At the same time, FAO's role in this area has declined in comparison with that of others, and risks further decline. Issues of trade in agricultural and food products have become principally the purview of the World Trade Organization (WTO). As noted earlier, the international agricultural research centres (CGIAR) are the focal point for agricultural research as an international public good. Much of the governance of natural resources for food and agriculture has migrated over the past two decades to new environmental agreements. Leadership in standard-setting for animal health,

including epidemic diseases which may spread to humans (zoonoses), are largely with the World Organisation for Animal Health (OIE). Alternative fora to FAO now exist for aspects of policy discourse on international forestry policy, and on fisheries as part of the Law of the Sea.

146. The IEE also found the Governing Bodies of the Organization to be performing poorly with regard to the internal governance of FAO. The low level of mutual respect and understanding between some Members within the Governing Bodies and between some Members and management has produced attitudes and a culture which set a tone and promote a value system not conducive to good governance practice. The Governing Bodies have suffered from politicization and a growing divisiveness. One major factor causing conflict has been the misunderstandings and false dilemmas created over the normative versus the technical cooperation functions of FAO. The capacity of the Governing Bodies to perform the functions conceived for them in the Basic Texts has reduced, while the tasks which they face have increased.

147. The main findings that emerge from the IEE analysis of governance are:

- a) the Council meets too infrequently, has insufficiently focused agendas, does not come to clear decisions, fails to provide the arena for member countries to dialogue, does not give the lead in strategic planning, and generally plays a weak role;
- b) there has been a neglect of the global governance role of FAO, and the institutional arrangements between the Conference and technical committees as well as agendas need to be revised to facilitate this;
- c) there are imbalances in the membership composition of Governing Bodies as a result of the historical legacy in the composition of regional groupings and these need to be reviewed with a view to making the Council and its Committees more representative;
- d) the Programme and Finance Committees are under-informed; they require significantly better servicing by documents from management; and representation is unbalanced;
- e) the timing of the Conference is poorly aligned with the Organization's programme and budget cycle, leading to an expensive and highly duplicative system of decision-making;

- f) the Governing Bodies do not provide strategic leadership but mostly react to Secretariat proposals. They have reinforced the weakness of the Secretariat, which also fails to suggest priorities, and Members of the Governing Bodies' defence of pet areas of work, at the expense of a coherent strategy, contributes to across-the-board budgetary cuts;
- g) there is a lack of transparency in the operations of Governing Bodies, the way their decisions are prepared and the role played by management in supporting their work;
- h) Regional Conferences should contribute to governance but they have not, and currently only have a marginal input into central governance;
- i) there is a lack of clear definition and observance by both governance and management of their respective functions and responsibilities and Governing Bodies are unable to fulfil their strategic and control functions vis-à-vis management and the Secretariat;
- j) the central role of the Director-General and management and the lack of independent technical support available to the Governing Bodies have contributed to an imbalance and a corresponding tendency to micro-management by the Governing Bodies. The balance of decision-making authority has swung too far from these bodies in favour of management;
- k) weaknesses and limitations in the selection process for membership of Governing Bodies (regional rotation or political consideration, rather than expertise) result in a situation where not all the Members of Governing Bodies have the knowledge and skills required to contribute effectively;
- l) there is an overlap of functions among different Governing Bodies, as well as gaps in their mandates;
- m) there is inadequate provision of time and resources for meetings; and
- n) governance does not receive all the information and independent and unbiased advice that it needs in order to make sound decisions.

148. As the Organization's resources and level of influence decline, so also has the interest of member countries in its governance. IEE interviews detected, amongst a significant proportion of Members, little sense of ownership of the Organization's programmes and priorities. Mistrust between the various groups of Members has been compounded by the declining budgetary resources available.

149. FAO currently suffers from the alienation of many of its major contributors. To some extent, this has been common to the UN system as a whole, including its specialized agencies. It appears, however, to be deeper and more serious in the case of FAO than for many other UN agencies.

150. Improved governance is central to a strengthened FAO if it is to meet the expectations of its Members. The Governing Bodies, working together with management, will need to develop a long-term strategic vision for the Organization and act flexibly and responsively to meet the growing challenges in FAO's mandated areas. Without a substantive improvement in governance, the remainder of the recommendations in this evaluation will be at best sub-optimal in charting "the way forward, to better meet the challenges of the future in an evolving global environment", as called for by the IEE terms of reference.

151. With the aim of helping to bring about the improvements required, the last section of Chapter 4 sets out 60 actionable tasks within a framework of 20 major recommendations.

Chapter 5 FAO in the multilateral system – partnerships

152. Chapter 5 analyses the place and performance of FAO as a partner in the UN system, with other principal partners (the Rome-based agencies, World Bank and the CGIAR), and more generally with civil society, the private sector and regional organizations. Partnership within the United Nations system is assessed at both global and country levels, including an assessment of the potential implications for FAO that could arise from the "Delivering as One" initiative.

153. The IEE review results in two headline messages:

- a) first, while the most common external perception is that FAO is an unwilling and/or unreliable partner, the evidence does not support this. The review of technical programmes in Chapter 3 demonstrates the breadth and depth of FAO partnerships. It furnishes evidence of FAO as an effective leadership partner in the global arena in many undertakings and also as a secondary partner in others; and
- b) secondly, in spite of the first point, FAO is not currently well-equipped, especially at the country level, to fully benefit from the many existing partnerships or to develop new relationships that will enhance its effectiveness. The Organization lacks, at both corporate and country levels,

the strategic tools required to determine the purposes, modalities and thematic areas in which partnerships are desirable. In addition, although budgetary constraints impose undeniable limitations, there are other factors reported to the IEE by FAO partnership organizations that are at least equally constraining. These are also recurrent themes that run through the entire IEE report and include: FAO's heavy, slow and burdensome bureaucracy; centralization of authority; and inflexible means of securing technical expertise.

154. The IEE analysis of FAO partnerships found them of a highly uneven character. They are mostly developed with a few sister agencies of the United Nations, with the World Bank and the CGIAR. They have demonstrated important results in several global programmes, but they are weakest at the country level in terms of engaging with other development agencies, NGOs and the private sector. Partnerships with the private sector are overall weak. In view of the increasingly significant roles played by private firms, there is a need for a clear corporate strategy to address this.

155. Moreover, in spite of several important successes in partnerships, FAO has neither a strategy nor specific plans for partnerships and for the ways in which they would contribute to defining the Organization's comparative advantage, communicating its message and locating its role clearly in the new international development architecture. Staff need considerably more guidance as they seek to respond to the increasing requirement of donor agencies for the demonstration of robust partnerships, of joint and shared actions where the total outcomes and results exceed the sum of the individual efforts.

156. The inescapable reality is that FAO will be able to fulfil its mandate as a global broker of essential knowledge only through effective and strategic partnerships. A second reality is that this will require a new, genuinely corporate-wide strategy to replace the limited number of *ad hoc* and unconnected efforts now in place. To be effective, the strategy will need to establish clear priorities and point to specific requirements.

157. The IEE examination of partnerships, however, has pointed to a third reality which is that they also entail costs and that many are cost-ineffective. The present mantra in some quarters of establishing partnerships for partnerships' sake presents a danger of introducing high transaction costs for unclear objectives - as is evident in some technical areas.

158. Building from this analysis, the closing section of Chapter 5 makes ten recommendations with 22 actionable components.

Chapter 6 Situating FAO’s culture, organization and structure

159. There are two distinct sections to this chapter:

- a) the first examining the institutional culture of FAO; and
- b) the second analysing the organization, structure and functioning of FAO, both in headquarters and the field, and the structural relationships between them.

160. Culture: This section includes analysis based on a standardized and respected survey instrument (the BAH profiler) used to measure whether the working culture of an organization is “healthy” or “unhealthy”. This is complemented by the results of a staff survey designed especially for the IEE and on follow-up semi-structured interviews and focus groups.

161. The results of the BAH profiler clearly place FAO’s institutional culture in the category of an “outgrown organization.” This assigns to it the following main defining cultural characteristics:

- a) it is too large to be managed centrally by a small team and can achieve effectiveness only through much greater diffusion of power, authority and responsibility. A centralized decision-making structure cannot achieve the efficiencies and effectiveness that the Organization requires. Senior management is involved in far too many issues too far down in the Organization; and
- b) its management culture is hierarchical, centralized and rigid and its communication channels are mainly vertical. Because power is highly centralized and only relatively low levels of authority are delegated, while information is decentralized, the Organization is risk averse, slow to seize new opportunities, slow to react to changes and is characterized by low levels of individual responsibility.

162. The staff survey and interviews indicated that FAO staff are highly committed to the mission of the Organization. A large majority are motivated by the intrinsic value they attach to the mission and not to their salaries alone. The results also revealed very high levels of frustration with the Organization’s internal culture and the

paradox of an overwhelming desire for major transformational change together with scepticism that such change might ever occur. In addition, and consistent with the characteristics of an “outgrown organization”, the survey revealed generally: low levels of delegated authorities, reluctance to take individual responsibility, limited awareness of activities beyond the immediate work unit (silos) and low level of confidence in senior management.

163. The central conclusion that derives from the analysis of culture (overwhelmingly supported by the findings in organization theory and practice) is that the institutional culture of FAO is misaligned with the basic requirements for a knowledge-based organization. The five main recommendations with 13 actionable components proposed by the IEE are aimed at a fundamental cultural transformation that will take time to achieve.

164. Organization and structure: Chapter 6 provides an extensive review and analysis of the structural architecture of FAO. There have been various changes in its organizational structure since the beginning of the 1990s; various units have been created, disbanded and transferred from one division or department to another. The basic managerial structure of FAO headquarters, however, has been little changed. Moreover, the structures have remained segmented and their functioning frustrates the Director-General’s intention and attempts to bring about greater interdisciplinarity and programme integration.

165. Taking this into account, a number of basic organizational principles emerged from the IEE analysis of headquarters structures. These are:

- a) span of control: Currently 13 Assistant Directors-General (ADGs), as well as the directors of four independent offices, report directly to the Director-General (as well as FAO Representatives with an indirect reporting line). This is too large a top management group, given modern management practice in centrally managed organizations¹¹ which suggests that the optimum would be around six and that beyond twelve, effectiveness declines substantially;
- b) team work and management committees: The larger a decision-making committee, the less probability it can function as a team. Large senior management committees generally focus more on an amalgam of individual concerns than the larger interests of an organization;

¹¹ Centrally managed as distinct from organizations with networked or quasi autonomous business units which are common in the commercial world.

- c) there should be no search for uniformity: Depending on the nature of the work to be performed, departmental or divisional status can be large in one instance and considerably smaller in another. 'One size fits all' management structures usually create problems by placing functions where they do not belong;
- d) de-layering and fragmentation: FAO has too many small units in hierarchies. These increase transaction costs unnecessarily, reinforce a focus on process rather than product and strengthen the silo approach. The layers are also very costly in financial terms;
- e) flexibility: Organizational structures need to take into account the need for flexibility and the place of incentives in an overall system. Structure should encourage and facilitate cross-unit work;
- f) delegation: The principle of subsidiarity should apply and delegation should be encouraged to the lowest possible level consistent with good practice and accountability, reinforced by an *ex post* system of control;
- g) clear lines of responsibility and accountability: These should result from effective spans of control. A log-frame based means-ends approach to management accountability is necessary for FAO¹². There should be regular reporting on this basis to the Governing Bodies of the Organization; and
- h) economies of scale and cost-efficiency gains: The size of several divisions and functions within FAO has fallen below critical mass. At the same time, the Organization needs to do all that is possible to achieve administrative cost savings, both as a necessary end in itself and to build confidence with major contributors.

166. The IEE applied the principles enumerated above in as rigorous a manner as possible to the current headquarters structure and derived a proposed organizational model which is described in Chapter 6. In the view of the IEE, it holds considerable potential. Although variations on the model are obviously possible, it would certainly bring about a much sharpened clarity in roles and responsibilities, streamline decision-making and invite greater integration across the Organization. It should also provide the opportunity for significant efficiency savings over time, although initial costs to effect the changes could also be considerable and would need to be taken into

¹² The logical framework approach would ensure that clear links are made between goals, objectives, priority activities, and budget sharpening the means-ends approach proposed throughout the IEE report.

account. The assumptions underlying the model need to be reviewed carefully, including those relating to both costs and benefits.

167. The structural characteristics of the relationships between FAO headquarters and its field presence are severely fragmented. This is not merely a matter of reporting lines, although these have followed an “all things lead to Rome” principle which has been high on costs and low on benefits. The larger issue, however, is the phenomenon of “spokes and wheels”, meaning the absence of shared goals, purposes, strategies and resource mobilization efforts between headquarters, Regional, Subregional and Country Offices.

168. Although many changes are now underway, the current FAO infrastructure aimed at a strong presence outside Rome is not functioning well. Staff-to-programme cost ratios have declined substantially; in several Country Offices, administrative costs exceed programme expenditures, in many others the ratios exceed 1:1 by only slight margins. The IEE country visits frequently discovered situations where regional technical specialists could not travel to meet their work obligations due to shortages of travel funds; the same applied for FAORs.

169. At the same time, many headquarters programmes in areas of FAO's undisputed comparative advantage are moving into the “at risk” area due to the combination of sequential budgetary reductions and decisions on decentralization in the context of this declining overall budget. Between 1994 and 2006, regular budgeted staff declined in headquarters by 34 percent and increased by seven percent in the field. The IEE has no doubt that FAO needs a strong presence outside of Rome if it is to achieve the relevance, outputs and impact that all its Members should correctly expect. It does not follow, however, that such a presence needs to be physical or that it can be achieved only by the posting of an FAO employee. It also does not follow that one size should fit all. Connections, networks and ‘being present’ can be achieved in many ways, especially in today's globalized and technologically linked world. The question is not whether FAO needs a strong presence, it is how best to achieve it and with what means.

170. With a view to helping to find the right structural balance between field and headquarters and to align scarce resources in the most optimal way possible, Chapter 6 includes 17 main recommendations on structure together with 34 actionable sub-components.

Chapter 7 **FAO's programme cycle**

171. Chapter 7 examines the full continuum of FAO's programme cycle from formulation of strategy, through programming and budgeting, including extra-budgetary resources, to results measurement and evaluation and auditing.

172. Strategy and the Programme of Work and Budget (PWB): For all practical purposes, FAO does not have a functioning strategic framework. A mid-term review of the Strategic Framework was postponed by the Governing Bodies, pending the outcome of the IEE, as was the preparation of the Medium-Term Plan 2008-13. The Strategic Framework for FAO, 2000-2015 has been overtaken by events. Moreover, the key elements of ensuring means-to-ends linkages and determination of clear priorities never emerged from the process. The basic design of the process itself – a medium-term document and a specific proposal for the biennium - is reasonable, with the exception of the Summary Programme of Work and Budget, which is redundant. In practice, however, there is little coherence between the parts, especially between the means required to achieve the planned objectives and outcomes. The failure to effectively integrate extra-budgetary fund mobilization or expenditure exacerbates the dysfunctionality. The Governing Bodies do not properly guide the process to enable timely setting of priorities to address gaps between the financing needed for programme effectiveness and the funds actually available.

173. This situation is exacerbated by a disconnect between approved budgets and resource availability due to the timing of payments and levels of arrears. These factors have reached critical proportions, not merely in regard to all aspects of operational efficiency (i.e. recruitment, staffing, contracting, procurement and general operations) but also possibly now threatening the financial solvency of the Organization.

174. Within the Secretariat, there is understandably a high level of frustration over the repetitive, costly and time-consuming nature of FAO planning and budgeting processes. Many FAO Members are similarly frustrated and have complained openly that there are too many layers and that at least one should be dropped. While dropping one step (i.e. the Summary Programme of Work and Budget) should free up some time for both the Secretariat and Members, it would neither address the disconnects in the overall planning system nor resolve the worsening budgetary situation.

175. The vast majority of FAO Members see a lack of transparency in allocation of human and financial resources. In part, this is due to an over-emphasis on details that

Members themselves demand, but it also arises from the lack of clarity on extra-budgetary funds and from decisions made by Governing Bodies in the late 1990s to present a regular programme of work separate from the Appropriation.

176. The IEE presents 11 major recommendations and 37 actionable deliverables to address the difficulties and deficiencies diagnosed in the FAO programme cycle and in the instruments used, including adjustment in the date of the Conference to allow detailed work planning and budgeting to take place after the overall budget decision has been set.

177. Internal and independent External Audit: FAO has been according increasing importance to audit. Over the past seven biennia, the regular budget allocation to the Office of the Inspector-General has increased in real terms by 45 percent. The IEE addresses seven recommendations to the audit function, the main one reflecting a concern with what gets audited and what does not. In particular, the IEE noted that large areas of the highest corporate risk to FAO have not received audit attention for risk assessment and risk mitigation adequacy, with regard to such areas as FAO reserves, after-service staff liabilities, borrowing policies and practices, or currency risks.

178. Evaluation and learning: The IEE necessarily drew heavily on the previous evaluation work of the FAO Evaluation Service. Because of this, extra attention was given to actually evaluating the function of evaluation in FAO, including the commissioning of an independent external peer review of quality. The general finding was that FAO's Evaluation Service has been performing to a high standard and that it compares favourably relative to its main comparator agencies.

179. The review also confirmed that the value of FAO's evaluation function would be significantly increased if it were accorded greater independence of location, reporting lines and financial resources. This is consistent with the direction of previous Governing Body decisions, as well as the views of an overwhelming majority of FAO Members responding to an IEE survey, many staff and external parties¹³. The report of the Secretary-General's High-Level Panel on UNwide System Coherence, "Delivering as One", envisaged "an independent UN system-wide evaluation mechanism" (by 2008) with common evaluation methodologies and benchmarking¹⁴. The standards and requirements for best practice lend overwhelming support to the

¹³ See peer review of the Evaluation Service, 2005.

¹⁴ United Nations, 2006, "Delivering as One", IEE emphasis.

independence of evaluation with an autonomous budget and direct reporting to the Governing Bodies with measures to ensure responsiveness to the needs of both management and the Governing Bodies.¹⁵ The IEE agrees with these assessments. It makes this proposal plus five additional recommendations with regard to evaluation in FAO.

Chapter 8 Administration

180. First, Chapter 8 notes that the Organization and its Members can be credited with recognizing the importance of attaining efficiency savings in the administrative and technical areas. FAO can also be commended for taking a number of positive actions, such as quantifying savings over the years and establishing a new framework for capturing efficiencies.

181. The chapter analyses the broad areas of administration and finance, raising cross-cutting issues which impinge on all aspects of the Organization, including the operation of extrabudgetary projects and of decentralized offices. Five overarching conclusions emerge from the analysis.

182. FAO's administration performs very well in the application of its regulations and approved procedures. This is achieved, however, through high transaction costs that translate into large direct costs and additional hidden expense through the transfer of tasks from administrative divisions to FAORs, technical departments and decentralized offices. The administrative system is also characterized by a host of *ex ante* and *ex post* control requirement and low levels of delegated authority relative to comparator organizations, a general absence of client focus and a view of human resources management that is technocratic rather than strategic.

183. Second, FAO's highly centralized, burdensome and overly complex administration causes substantial negative effects on the Organization's technical work and its external image. It reinforces an inherently risk-averse institutional culture. Technical and FAOR staff spend an inordinate amount of time trying to meet administrative requirements and overcome administrative hurdles. Maintaining the necessary staff technical competencies is also an issue made more difficult by rigidities in the administrative and human resources systems and inadequate planning for staff development.

¹⁵ See Osvaldo N. Feinstein and Robert Picciotto, eds. *Evaluation and Poverty Reduction*. New Brunswick, NJ: Transaction Publishers, 2001.

184. Third, some steps recently taken to increase delegations of authority should help, but many more steps and much more ambitious measures will be required for FAO to become the kind of dynamic and agile organization that is needed to meet the challenges outlined in previous chapters. Relatively modest and incremental approaches will not achieve what is needed. A much more systemic, root and branch approach predicated on the principle of subsidiarity¹⁶ and aimed at a shift in the institutional culture is required.

185. Fourth, FAO's current financial situation is dire. It is both a liquidity crisis and one of insufficient reserves and provisioning. The liquidity or cash flow position has been deteriorating steadily, forcing the Organization to borrow increasingly large amounts of money. This is due principally to the late arrival of assessed contributions from the Organization's largest contributors. The situation is unhealthy and unsustainable. The long-term financial soundness of FAO will require new approaches and financial support from Members and a more systematic and institutionalized approach to financial risk management.

186. Fifth, FAO has devoted substantial incremental resources to information technologies in both relative and absolute terms and made laudable progress in recent years. New investments are continuing. Nevertheless, many serious problems exist. Lack of overall coherence has led to an unnecessary and costly fragmentation of systems throughout the Organization and to an unnecessarily bureaucratic division of labour between systems development and maintenance. A rigorous risk analysis, although now well advanced, remains to be completed and tested.

187. The IEE's analysis and conclusions on FAO's finance and administration lead to 69 actionable components within a framework of 20 main recommendations.

¹⁶ Subsidiarity is the principle that a higher level of authority should only become involved in an issue if it cannot be adequately resolved at a lower level.

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